



Alexander Shelepin during recent visit to London.

## Shelepin Is Removed from Post on Politburo

By Christopher S. Wren

MOSCOW, April 16 (AP)—Alexander Shelepin, who once was a prominent contender for Kremlin power, was removed from the ruling Politburo today after a secret Communist party session.

His surprise departure from the 55th party congress, which was held in a one-session session, was a shock to many observers. Mr. Shelepin, who was 68 years old, had been a member of the Politburo since 1957.

Mr. Shelepin, who headed the KGB, was a close ally of Leonid Brezhnev. He was removed from the Politburo after a session in which he was accused of "opportunistic" behavior. He was replaced by Yuri Andropov.

## Caramanlis Seen Urging Jet Sales in Talks in Paris

PARIS, April 16 (Reuters)—Greek Premier Constantine Caramanlis is expected to urge the sale of Greek-made jets to the United States during his visit to Paris today.

Mr. Caramanlis is expected to discuss the sale of the F-4 Phantom II fighter jet to the United States. He is also expected to discuss the sale of the F-16 Fighting Falcon.

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## PLO, Phalangists End 4 Days of Fighting

## Cease-Fire Declared in Conflict in Lebanon

BEIRUT, April 16 (UPI)—Palestinian guerrillas and rightist Phalangists ended a four-day battle in Beirut today, declaring a cease-fire.

Police sources said at least 27 persons were killed and more than 50 wounded in today's fighting. The fighting was the most serious since the 1970.

In the most serious violation of the cease-fire, a Palestinian guerrilla was killed tonight in an ambush on a road outside the city.

of Sidon, south of Beirut, police sources said.

In another violation, a bomb blast wrecked a store in a Beirut suburb. Other explosions, could be heard in various parts of the capital.

Hours after the cease-fire went into effect tonight, heavy small-arms fire continued around the Tel Zaatar Palestinian refugee camp on Beirut's outskirts. It died down, however, after a heavy rain began falling and only scattered sniping was reported.

# Phnom Penh Sues for Peace; Saigon's Situation Worsening

## Bien Hoa Air Base Is Shelled

By Malcolm W. Browne

SAIGON, April 16 (AP)—Government units holding the approaches to Xuan Loc, 38 miles northeast of Saigon, were falling back today, shelling was seriously disrupting fighter-bomber traffic at Bien Hoa air base, and the government enclave at Phan Rang on the South China Sea appeared to be near collapse.

Altogether, the military situation for Saigon was markedly worse than at any time since the fall of central South Vietnam to the Communists two weeks ago.

The North Vietnamese have been rushing fresh divisions from central Vietnam to the fighting northeast of Saigon, and there are indications that some of these forces are now in combat.

Several days ago, Communist long-range artillery was brought to bear on Bien Hoa, 12 miles northeast of Saigon, as well as on Xuan Loc and vicinity. Some 1,000 shells are falling each day on the ruins of Xuan Loc, where resistance continues, but where chances of holding out much longer seem very dim.

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EMERGENCY—Red Cross workers take a wounded child to ambulance following rocket attack on Phnom Penh.

## Prospects Appear Improved in Senate

## Ford Says Aid Can Stabilize Saigon Defenses

WASHINGTON, April 16 (AP)—President Ford said today that he was convinced South Vietnam could stabilize its defenses, and perhaps negotiate a settlement with Hanoi, if Congress approves his request for \$72 million in military aid.

While confirming that he has ordered the evacuation of all "nonessential" Americans, Mr. Ford said that the Thieu government "could stabilize the military situation in South Vietnam today" if Congress votes the funds within the next few days.

At the same time, he told a news conference that "this whole tragedy" now facing Saigon "could have been eliminated" if the United States had fulfilled its commitment under the 1973 Paris cease-fire accords to a "reasonable sum" of military and economic assistance.

Describing North Vietnam's punishing assault as a "tragic situation," Mr. Ford told a panel of the American Society of Newspaper Editors: "It just makes me sick every minute and every day I hear and read about it and see it."

On Capitol Hill, meanwhile, House Speaker Carl Albert, D-Oklahoma, said that a \$200-million fund proposed by several senators for humanitarian aid combined with authority to use American troops to evacuate U.S. personnel "would get a fairly cold reception" in the House.

The administration also indicated opposition. Philip Habib, the assistant secretary of state for East Asia, told the House International Relations Committee that the idea of combining the humanitarian aid and the evacuation was acceptable—but only if military aid also was approved.

Mr. Ford has asked for an initial outlay of \$250 million, primarily for the care and feeding of refugees, in addition to \$72 million for weapons and ammunition.

In the Senate, prospects appeared to improve for approving some military aid for South Vietnam. Sen. Robert Byrd, D-W.Va., said he was impressed by an appeal by Gen. Frederick Weyand, Army chief of staff, at a committee hearing.

Sen. Byrd said that he would find it "very difficult" to vote against some additional military aid to Saigon "if the South Vietnamese are willing to give their lives in resisting Communist aggression."

On Cambodia, Mr. Ford said, "We will help in any way we can to further negotiations to end that conflict."

The President also made the following points:

• He intends to visit China in the fall.

• The administration is committed to détente. "We must work with friend and foe alike."

• He intends to retain William Simon as the Treasury secretary. There have been reports that Mr. Simon will step down because of his displeasure with a mounting federal deficit.

• The United States is not in "direct negotiations" with the North Vietnamese for a cease-fire around Saigon.

Outlining evacuation plans, Mr. Ford said that the present intention is to keep in South Vietnam only those Americans "who have a position of responsibility, a meaningful job." As for the South Vietnamese, Mr. Ford said that the United States has an obligation to longtime employees.

"I hope we are in a position where we can clarify or stabilize the situation and get a negotiated settlement that wouldn't put their lives in jeopardy," he said.

## Thieu-Nixon Letters

## Schlesinger Denies Knowing of Secret Pact

WASHINGTON, April 16—When former President Richard Nixon conducted secret correspondence with South Vietnamese leaders two years ago, it was a secret to James Schlesinger and remained so until about two weeks ago, Mr. Schlesinger said yesterday.

"I do not have the documents. I have not read them. They are not at the Pentagon," Mr. Schlesinger said. "I am not a secretary of defense. I am not a member of the Senate Armed Services Committee. I only learned about them 10 days or two weeks ago. I had not known about written documents."

Mr. Schlesinger was director of the Atomic Energy Commission when the Paris accords were completed in early 1973, so he had no reason to know then about Mr. Nixon's secret correspondence with South Vietnamese President Nguyen Van Thieu, or any details of the agreement that Secretary of State Henry Kissinger negotiated.

Schlesinger Appointments Within a month of the accords, however, he was named director of the Central Intelligence Agency, and barely six months after that he became secretary of defense. At no time, apparently, did Mr. Kissinger inform Mr. Schlesinger of the Nixon commitments to Mr. Thieu—whatever they were.

## Saigon Club Members Bathe in Apprehension at Poolside

By William Tuohy

SAIGON, April 16—The French president of Saigon's exclusive Cercle Sportif, the tennis and swimming club in the heart of the capital, strode over to the American visitor, clad in Bermuda shorts, sitting by the swimming pool.

"I am sorry, monsieur," he said, "but only bathing suits are allowed in this area—even in times like these."

At first glance, the Cercle Sportif would seem to be maintaining a somewhat Gallic stiff upper lip, as the enemy nears the gates of Saigon.

Tennis whites are still mandatory on the clay courts, which are quite full during weekends. White-jacketed waiters bring the members their lemonades and iced teas. A messenger passes, ringing a bell, indicating that there is a phone call for the member whose name is scrawled on the tiny blackboard he carries.

Under the tall landmark trees, players methodically knock tennis balls back and forth. Other members play the French bowling game, boules. Nannies escort children in the outdoor playground.

At the pool, the Vietnamese women, their long black hair falling straight down to their brief bathing suits, appear untroubled and take advantage of this dry season.

In the pool paddles a famous aging courtesan, clad in a yellow swimsuit and still in excellent shape despite her years.

Apprehensive Members On the surface, the war would seem to be light-years away, rather than just 40 miles.

Below the surface, the members of the Cercle Sportif are perhaps more apprehensive than most others in Saigon, for many of the members are from the Vietnamese upper middle class, which is a special target for the Communists, should they take over.

"All the Vietnamese here are scared to death," said a U.S. businessman who has lived here seven years and speaks fluent Vietnamese. "They don't know what to do."

"For the first time—in the past (Continued on Page 2, Col. 7)

## Sihanouk Rejects the Truce Bid

By Sydney H. Schanberg

PHNOM PENH, April 16 (AP)—The Cambodian government asked Communist-led insurgents today for an immediate cease-fire and has agreed to turn over power to them.

The five-point proposal called for a complete transfer of power to the insurgent side under the supervision of the United Nations and International Red Cross representatives. The other major point, beside the cease-fire, was the demand for assurance that there would be no reprisals against persons or organizations for their activities during the five-year-old war.

In Geneva, the Red Cross confirmed today that it had transmitted the message to Prince Sihanouk, but news agency reports from Peking said that the Prince, titular leader of the insurgents, had rejected the offer on his own behalf and that of his government. He advised Cambodian leaders to flee or face hanging.

Premier Long Boret, interviewed by telephone shortly after midnight (April 17, Cambodian time), cited the U.S. decision to evacuate its embassy last Saturday, and to end its material support, as the key factors in the government's decision. "We feel completely abandoned," he said in a voice whose weariness was discernible over the telephone.

Unanimous Decision The 42-year-old Premier said the decision was taken at about 11 a.m. Wednesday at a meeting of the seven-member military-dominated "supreme committee" that has been running the country since the Americans left.

He said the decision was unanimous. Asked if there were any voices anywhere in the government against the decision, he said, "No, we are realistic."

Mr. Boret said the military situation had become impossible and added, "We have no more material means."

The Premier said that after the morning meeting, held at the headquarters of the military high command, the proposal was taken to the head of the Red Cross delegation here, Andre Pasquier, who was asked as a neutral intermediary to pass it to Prince Norodom Sihanouk. The Cambodian Prince was ousted from power in 1970 and is now living in exile in Peking as the nominal head of the insurgents.

Mr. Pasquier today established a neutral zone in the Hotel Le Phnom, where his 16-member delegation is based, and has called on both sides to respect it. The Red Cross said the zone was free of military objectives and personnel.

Airport Is Taken PHNOM PENH, April 16 (AP)—Phnom Penh's airport fell to the Communist-led insurgents today at the same time that the Cambodian government was asking for a cease-fire and offering to give up its authority.

Field reports said a large force of Khmer Rouge seized the civilian control tower in the early afternoon and by sundown had taken the airstrip, the rest of the airport and the military base. The airport is four miles west of the capital.

Rebels also began shelling the center of Phnom Penh itself with captured U.S.-made artillery. Ten people were reported killed and 30 wounded by the shells. (Continued on Page 2, Col. 2)

Lon Nol Is Declared To Be in Good Health HONOLULU, April 16 (AP)—Exiled Cambodian President Lon Nol was pronounced in good general health by U.S. Army doctors here yesterday, despite the partial paralysis of his left side as a result of a stroke four years ago.

The Cambodian leader, 62, who left Phnom Penh April 1, was discharged from Tripler Army Medical Center after one day of medical tests. He returned to quarters provided for him, his family and aides at Hickam Air Force Base, where they have been staying since arriving in Hawaii last Thursday.

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## But Squabbling Persists

## Laos Regime Seems Durable After Year, Despite Tensions

By Bernard Weinraub

VIENTIANE, Laos, April 16 (UPI)—The defense minister of Laos barely speaks to his deputy. At the Ministry of Public Works, the deputy minister privately calls his boss "intellectually inferior." The health minister says that he has little time for the talents of his deputy. And the Ministry of Information personnel seldom attend the same parties and speak contemptuously about one another.

The Laotian coalition, marking its first anniversary this month, is enduring some strain, uncertainty and angry hickering. But the unusual arrangement of neutralists, rightists and pro-Communists is proving somewhat durable, mostly because such key powers as the United States, the Soviet Union, China and North Vietnam seem content to keep the current regime intact.

"It's a very special country with its own problems and people and because the coalition is working in kind of a slippery way here does not mean at all that it could work next door," said an informed Western diplomat who has spent years in Southeast Asia. "For one thing, all sides here have known each other for years and, essentially, respect each other. It's a mon-

archy and the Pathet Lao accept this completely. . . . Nonetheless, this landlocked kingdom of 3 million, scattered through a nation the size of the United Kingdom, remains vulnerable, partly because of the military disintegration of neighboring Cambodia and South Vietnam, and partly because the coalition government shows signs of strain.

The coalition is headed by the ailing 73-year-old neutralist, Premier Souvanna Phouma, a symbol of reconciliation to the Communist-orientated Pathet Lao and the pro-Western Vientiane side. The Premier has said privately and publicly in recent days that coalition and compromise is the only answer for a kingdom that was beset by 20 years of civil war, ending in a cease-fire on Feb. 21, 1973.

Twice before since 1957, Prince Souvanna brought the Pathet Lao into the government only to see the coalition disintegrate again into warfare. In the third effort—and with the support of the United States, North Vietnam and the Soviet Union—he is determined to succeed.

## New Regime

Last April, the Premier and his half-brother, Prince Souphannouvong, the Pathet Lao leader, agreed to a regime headed by the Premier and 12 cabinet ministers—five from the Vientiane or rightist side, five from the Pathet Lao and two ministers agreeable to both sides.

Although Prince Souphannouvong was expected to take the deputy premiership allocated to the Pathet Lao, he decided to head the National Political Council, a potentially powerful body that is expected to serve as the basis for a new cabinet whenever elections are held.

"Things operate slowly here," said an American diplomat. "There's now talking about elections at the end of 1975 or early 1977. There's no big rush."

What has emerged in the year since the coalition was installed is the steady ascendancy of the Pathet Lao over its disorganized rightist and neutralist competitors. The ascendancy is marked by angry squabbles between ministers and their deputies—each rightist or Pathet Lao minister must have a counterpart as his deputy. Relationships are tense.

## Marcos Calls For Talks on U.S. Bases

By Don Oberdorfer

MANILA, April 16 (UPI)—President Ferdinand Marcos of the Philippines called yesterday for expedited discussions with the United States on the future of major U.S. military bases here and "the very problem of survival under our present security arrangement."

In an address to members of the graduating class of the National Defense College, Mr. Marcos also announced that he will issue a foreign-policy statement on defense arrangements in two or three days. The statement is expected to delineate Philippine concern about U.S. commitments in view of events in Indochina.

Calling the United States "our closest ally, our most valuable ally up to now," Mr. Marcos maintained that there is no hostility behind his reassessment and no attempt to embarrass the United States at a difficult time. He also maintained that he is not seeking to bluff the United States into giving more military aid or other help—presumably "rent payments" or some other financial plan—in return for Clark Air Base and Subic Bay Naval Base, two of the largest U.S. installations anywhere in the world.

## Prudence Cited

"Prudence requires any political leader in the area today to look into these matters in view of the delicate in the Indochina area," Mr. Marcos said.

U.S. commitments to the Philippines are based on a 1951 mutual security treaty under which the United States pledged to meet any armed attack on the Philippines "in accordance with its constitutional processes," and also on statements from former Secretary of State John Foster Dulles and former Presidents Dwight Eisenhower and Lyndon Johnson, suggesting that U.S. involvement would be immediate.

Congressional barriers to executive action in Indochina have raised doubts in the Philippines about the reliability of these promises. Mr. Marcos pointed to a recent statement by Sen. John Sparkman, D-Ala., the chairman of the Senate Foreign Relations Committee, that "we have only special feelings toward the Philippines."

Mr. Marcos went on to say that "certainly, as a leader, I cannot depend on a statement like that in the event of any aggression. . . . It becomes therefore my responsibility to protect our people by seeking clarification of these treaties."

U.S. officials said the Philippines has not formally asked for reopening talks about the status of the bases, but that such a request is anticipated.

## New from Lanvin: the 800 gram raincoat

If you want protection from spring showers, but don't want to weigh yourself down, Lanvin 2 has a solution: raincoats that weigh less than 800 grams.

Long and full, some come in a belted anorak style, others are variations on the traditional trench coat.

The weight is minimal, the styling original and the colors appealing: caramel, clear green, faded blue denim, and natural white. F. 890.



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مكتبة الأحرار



REFUGEE CAMP—Former residents of Xuan Loc make do at Long Thanh as fighting continues near their city.

Spent 9 Days in Captured City, Saw No Massacres

## Danang Returning to Normal Under Reds, Witness Asserts

SAIGON, April 16 (Reuters)—

Life is returning to normal in Danang, South Vietnam's second largest city, according to a South Vietnamese businessman who spent nine days there since it fell to the Communists two weeks ago.

Schools have reopened, restaurants and cafes are full and there is just about enough food to go around. Cinemas also have reopened and are showing North Vietnamese films.

North Vietnamese currency is being used alongside the South Vietnamese piastre and already commands an inflated black-market rate as residents hedge against a future currency change.

The businessman said, "Many shopkeepers are reluctant to sell their stock for the same reason."

As far as he was aware, he said, there were no massacres, contrary to the belief in the South that they would follow a Communist take-over.

The businessman, who arrived in Danang on March 29, the day the city fell, and left on April 6, said that he was politically neutral, and agreed to talk only after

some persuasion, and on the understanding that his name would not be used.

Asked how he was able to leave the northern port city—once a huge U.S. military air base—he said that the Communist authorities were allowing free movement for those carrying the necessary identity documents, on the basis of "you can even go to Saigon, but we'll be there soon."

His only document was a type-written scrap of white paper stamped by the "security command."

He said that he had told the new Danang authorities that he was returning to his home in Quang Ngai, south of Danang. But, once aboard a southbound fishing boat, he traveled to Nha Trang on the central coast, and from there to Saigon to search for his family.

His saga began when he left Quang Ngai on March 24 in a huge refugee column following government troops.

After a series of ambushes by Communist guerrillas concealed in sugar-cane plantations on either side of the road, he was stopped, questioned and sent back to Quang Ngai. His family, meanwhile, had evaded capture and was heading north.

Returning to Quang Ngai, he

found it under Communist control but in the throes of a two-day looting spree, which Communist troops could do little to prevent, since they had orders not to shoot civilians.

Even a military camp taken over by Communist forces was raided for fuel after the occupying forces announced they were expropriating all gasoline stations.

Arriving in Danang two days later in search of his family, he found the city swollen to twice its normal 500,000 by refugees from fallen areas, battling to leave by any available means. After a few

days, the refugees were gradually being returned to their homes in Danang city buses, all of which were commandeered for that purpose, he said.

Again there was looting of government and private warehouses, while some residents sold abandoned motorcycles, bicycles and other property for a fraction of their true value.

Looted rice was being sold for 1,000 piastres (about \$1.30) per 100 kilograms; motorcycles abandoned at the docks by evacuees were sold for 5,000 piastres (\$7).

As in Quang Ngai, Communist soldiers did not intervene at first, but on March 30 and 31 about 10 looters were shot and several others were being led away with bound hands.

Military Committee

One of the first actions of the new authorities was to announce the establishment of a "committee of military control in Danang" dedicated to "independence, democracy, peace and neutrality."

Former local administration officials were asked to continue working, for two cans of rice a day in lieu of pay, but as of April 6 the offices were still closed and the city was being run on a day-to-day basis by workers' committees.

On April 5, the radio announced an indefinite curfew starting at noon, and shortly afterward, a large helicopter was seen landing at the air base. The curfew was lifted the next morning.

On April 7, the schools were ordered to reopen and to continue, but some textbooks were eliminated.

As for the mood of the people, the businessman said it was a mixture of enormous relief that the fighting was over and anxiety over the future.

"Of course they are worried," he said. "Worried about economic hardship, a changed life-style and political restrictions. At the moment, however, they are just glad to be out of the war."

## Malloum Named Head of Chad's Ruling Council

NDJAMENA, Chad, April 16 (AP)—

Gen. Felix Malloum, who was released from prison after the armed forces' seizure of power in Chad Sunday, has been elected president of the ruling military council.

A radio broadcast last night named the nine members of the council. The radio called on all workers to go back to their jobs today but said navigation on the Chari River and air traffic would remain suspended.

Gen. Malloum, a former armed forces commander, had been jailed since June, 1973, for plotting against President Ngarta Tombalbaye. In the fighting early Sunday at the presidential compound, Mr. Tombalbaye was killed.

Col. Namari Djimet, former gendarmerie commander, was named vice-president of the military council, and Gen. Ngaret Djogo, former director of Mr. Tombalbaye's military secretariat, was appointed one of the nine members. Col. Djimet and Gen. Djogo had also been imprisoned for plotting against the former president.

## Sikkim Minister Is in New Delhi to Ask for Statehood

NEW DELHI, April 16 (AP)—

The chief minister of Sikkim, Kazi Lhendup Dorji, arrived in New Delhi today to make final arrangements for the merger of the tiny Himalayan kingdom with India.

Prime Minister Indira Gandhi said her government would "naturally like to give sympathetic consideration to the wishes of the elected representatives" of Sikkim, a 7,455-square-mile state bordering Tibet.

She invited Mr. Dorji to visit her after the Sikkimese people voted overwhelmingly yesterday to abolish the 300-year-old monarchy and seek to become a state of India. Mr. Dorji asked her to make an immediate response and accept his decision.

The Chogyal (King) of Sikkim, 51-year-old Palden Thondup Namgyal, also sought an immediate meeting with Mrs. Gandhi, but Foreign Ministry sources indicated he did not feel this would serve any purpose at this stage.

"The Chogyal must go," Mr. Dorji told newsmen on his arrival in New Delhi. "His presence can only mean erosion and destruction of the democratic process in Sikkim. . . . The Chogyal's speeches and actions have convinced us that he is incapable of playing any constructive or useful role in Sikkim."

## U.S. Women in Paris Ask Aid for Vietnam

PARIS, April 16 (UPI)—

The Association of American Living in Paris Concerned with Vietnamese Children have opened a weeklong campaign to raise funds for the Emergency UNICEF Appeal. Headquartered at the Hotel Hilton, which has donated space and telephone service, the group of American women volunteers is phoning all American businesses in France to appeal for money for UNICEF's use in Vietnam.

Volunteers are needed to phone companies from their home phones. The group may be contacted at 27-27-08 or room 406 at the Hotel Hilton.

Cosmos-727 Aloft  
MOSCOW, April 16 (AP)—The Soviet Union today launched Cosmos-727, another in a series of satellites to explore outer space, Tass said.

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## Influx of Foreigners Expected

## Saudis Pushing Plan to \$100 Billion for Development

By Jim Hoagland

JEDDAH, Saudi Arabia, April 16 (UPI)—Saudi Arabia's new rulers are pushing ahead with a five-year development plan that will inject about \$100 billion into the economy and bring 500,000 foreign workers into this rich but sparsely populated desert kingdom.

Many of the immigrant work-

## Apprehension Pervasive at Saigon Club

(Continued from Page 1)

few days—the knowledge is finally sinking in the fact that this is really it, that the South Vietnamese defense is on the verge of collapse, and that they, being relatively well-off, will fare badly under a Communist regime," he said.

The French, who founded the club, have sent most of their wives and dependents out of Vietnam, at least the Americans. But Vietnamese wives and daughters patronize the club and spend most of their days there. "We are not aware of what is happening," a woman said, "but why not come here? We have always come here. There is no point staying home, just to be frightened there."

The girls of marriageable age are a bit more friendly to Western men than in the past, and their first question is: Are you married?

Most Vietnamese girls, particularly those who feel they or their families will be singled out for retribution by a Communist government, believe that marriage to a Westerner means a passage to safety.

Two girls from the Lycée Marie Curie, when asked, "What, then, would you do," said: "Oh, we will marry someone."

But even if they were to marry an American tomorrow, the paperwork to get U.S. documents and an exit visa would take days, perhaps weeks, and there may not be enough time.

Gallows Humor  
The girls smile at the few Westerners who remain and the children splash in the pool, but the adults are quiet, indeed, fatalistic.

There is a bit of gallows humor. Under a Hanoi regime, would the club become a people's swimming pool? An officer's bluff? A communists' club? From the terrace, those swimming themselves can see a new wall going up, topped by 4-foot spikes. And just beyond the full flower vases is the airborne battalion that defends the presidential palace next door.

Despite the three swimming pools, the well-groomed tennis courts, the children's playground and the bars under the revolving fans, there is little of the gaiety that once marked the Cercle Sportif.

At the entrance, a newly posted letter says: "Because of the current situation the board of directors has decided to stop the admission of new members and their families for an indefinite period."

© Los Angeles Times



IN BEIRUT—Armed Palestinian guerrillas take up positions in clash with Phalangists.

## PLO, Phalangists Set Truce in Lebanon

(Continued from Page 1)

guerrilla units, accepted the cease-fire "in the interests of Lebanon and safety of its citizens and to help the return of peace and normal life to the country."

The PLO called on "all elements and friends" to abide by the terms of the cease-fire.

A spokesman for the so-called rejection front said its guerrilla groups would abide by the cease-fire and by the statement issued

by the guerrilla leadership, "which represents our stand."

Earlier, elements of the front, which rejects any peace settlement with Israel, vowed to fight against the Phalangists, whom they said were the "agents of Israel."

Phalangist leader Pierre Gemayel said in a statement that the "value of any agreement is in its observance."

He called on all parties to abide by "this undertaking so as to open the way for the authorities to undertake its duty in protecting lives and property and return safety and security to the country."

The statements by the PLO and Mr. Gemayel were broadcast by Beirut radio.

The cease-fire appeared to end a crisis within the South govern-

ment. Two Cabinet ministers resigned on Monday and others threatened to quit over the government's inability to end the fighting.

Each side claimed the other began the conflict. The Phalangists said Palestinian guerrillas in a car opened fire on a church where Mr. Gemayel was praying on Sunday and the Palestinians said the Phalangists seized the car, shot the driver, and ambushed a bus, killing 27 Palestinians on it.

It was the most intense fighting involving Palestinian guerrillas in Lebanon since their battle with the Lebanese Army in May, 1973.

In March, 1970, Phalangists opened fire on a guerrilla funeral procession and killed 16 Palestinians. The two sides also skirmished in July, 1974, and several persons were slain.

## Soviet Airliner Flies Over Sinai, Israel

TEL AVIV, April 16 (AP)—

A Soviet jetliner flew over the Sinai Peninsula today, it was allowed to return to a military spokesman said. Israel's jets scrambled to intercept the Soviet plane, but it turned back when it became apparent a civilian aircraft.

The Israeli government said the plane was an A Tupolev-154, and that it was the same plane that was shot down over the Red Sea in 1973.

Great Britain also shot down a Soviet plane at an altitude of 15,000 feet.

## Irish Protest Ends

DUBLIN, April 16 (AP)—

Irishmen went back to work in Ireland today after a week of disruption. Irish ports to protest government policy toward the fishing industry.



## Domestic Policies

Sadat Swears In Cabinet,  
Calls for Work on Reforms

CAIRO, April 16 (UPI).—President Anwar Sadat today swore in new cabinet ministers led by his brother-in-law, Hosni Mubarak, and told them that the country expected "much hard work" on economic reform.

The ministers, named in a presidential decree released during the night, as well as newly appointed Vice-President Lt. Gen. Mubarak, took the oath in a ceremony.

Immediately afterward, Mr. Sadat presided over a brief meeting of the 55-member Cabinet. He said that he issued orders to the ministers on future tasks.

Foreign Minister Kamel

Abul Maad told newsmen, "The President briefed the ministers on their responsibilities and told them 'the people expect much hard work from them.'"

## Domestic Reforms

He said that Mr. Sadat stressed that priority should be given to reforms in certain domestic fields he cited in an address to the nation last Monday. These were stepped-up economic liberalization, curbing rising prices, elimination of supply shortages, and eradication of profiteering and malpractices in government.

These problems were among grievances aired by workers and students in demonstrations earlier this year.

Mr. Salem, 57, picked 16 new ministers, all technocrats, for his Cabinet and retained 18 ministers from the outgoing government of former Premier Abdel Aziz El-Sisi, who resigned Sunday.

Among the outstanding holdovers were Foreign Minister Ismail Fahmy and War Minister Mohammed Gansawi, who were promoted to the rank of deputy premier.

Mr. Sadat also appointed Maj. Gen. Mahmoud Shaker Abdel Moneim, 42, as air-force commander, government sources said, replacing Gen. Mubarak.

## Genscher Sees Peace Role

CAIRO, April 16 (AP).—West German Foreign Minister Hans-Dietrich Genscher said today that Europe was ready to play a role in reaching a Middle East settlement, but added that his government "would still support any new efforts" by Secretary of State Henry Kissinger to reach a second-stage agreement between Egypt and Israel.

Winding up a three-day visit here before leaving for Saudi Arabia, Mr. Genscher said at a news conference that his talks with Egyptian leaders gave him a more concrete idea on the role Europe should play in peace efforts.

Arsenic Wastes  
Back in Finland

NAANTALI, Finland, April 16 (Reuters).—A hundred tons of poisonous arsenic waste were returned to Finland today aboard a Danish freighter after a month-long search for a dumping site. The ship Jens Rand, arrived this morning at the quay of the Finnish state oil corporation, owners of the arsenic trioxide waste.

The cargo, of 600 drums of waste, left Finland March 15 on another ship, scheduled to be dumped in the South Atlantic. But following protests from South American and other governments, the Finnish government banned dumping the waste at sea.

Witness in Mafia Shooting Case  
Mails Excuse to Florence Court

FLORENCE, April 16 (UPI).—The mafia prosecution witness in the trial of the deported U.S. gangster, Frank (Three Fingers) Coppola, for attempted murder wrote the court today that he fled to a foreign country because he feared for his safety.

Salvatore Ferraro, the informer who told investigators he heard Coppola hire two gunmen for the attempted assassination of police official Angelo Mangano, apologized in his letter for failing to show up in court.

"Honorable Mr. President, the undersigned Salvatore Ferraro, summoned as a witness in the case against Frank Coppola, Ugo Bossi and Sergio Boffi, hereby informs the most distinguished Court of Assizes in Florence that he left Italian territory for destination unknown for reasons of personal safety," the letter read.

"I intend, however, to confirm all statements I made during the investigations, specifying that I signed the minutes (of the statements) after reading them."

"I apologize for my absence from the court hearings. Best regards."

The letter, read into the record, was the latest blow to prosecution attempts to prove that Coppola, onetime reputed Mafia boss of Kansas City, hired Bossi and Boffi to ambush Mr. Mangano outside his home in Rome April 5, 1973.

Mr. Mangano was shot five times but survived.

U.S. Official Sees Oil Prices  
Unaffected by Talks' Failure

By James Goldsborough

PARIS, April 16 (UPI).—The failure of the first producer-consumer energy consultations will not affect the price of oil, U.S. Assistant Secretary of State Thomas Enders predicted today.

Mr. Enders was commenting on the collapse of the 10-delegation meeting at a press conference early today.

"We couldn't find the right formula," he said, "for an agreement between the seven developing nations present and the three delegations from industrial countries."

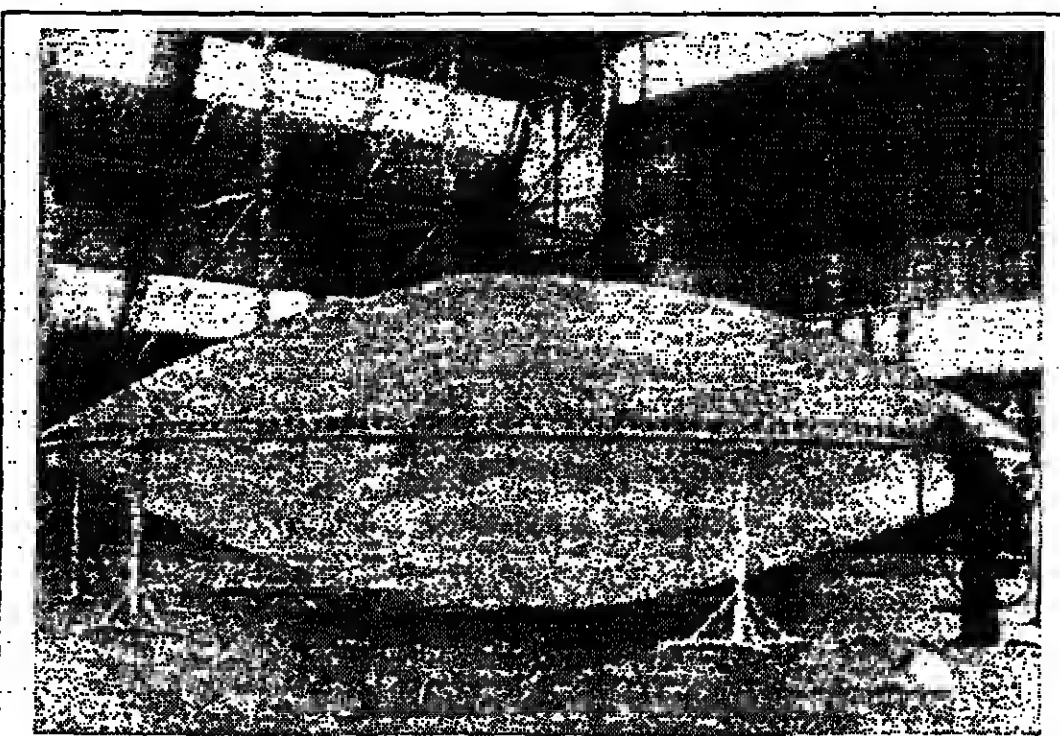
"I regret the result," he said. "The differences were deeper than we thought."

The meeting, called and organized by France, broke up last night after nine days when the two sides could not agree on whether to include other raw materials in a wider conference this year.

Although Mr. Enders refused to assign blame for the failure, the Algerian delegate, Ali Chahali, said:

"The firm, obtuse and dogmatic attitude of the industrial countries was the determining cause of the deadlock."

The French Cabinet issued a statement today regretting the



IDENTIFIED—This 30-foot-wide flying saucer prototype is due for a trial run today north of London. Helium is to lift the unmanned, radio-controlled craft, whose designers plan a cargo saucer as tall as a 14-story building—if all goes well.

## Interviews Discouraging

## U.S. College Seniors Find Jobs Scarce

By William K. Stevens

EAST LANSING, Mich., April 16 (UPI).—It was 6:15 a.m. one recent Monday when Gene Dombrowski came in from the cold and took his place as No. 17 in a line of Michigan State University seniors waiting for the door, marked "placement services," to open. When it did, the students would rush to sign up for a preliminary screening interview—the thinnest of promises of a job.

Such interviews with business and industrial recruiters are scarce and feverishly sought. And so the first student had gotten there at midnight with a sleeping bag and a thermos full of coffee. By the time the door opened at 8 o'clock, about 50 young men and women had joined the line.

This is the worst of recent years for job-hunting seniors. The search for June employment, or at least for the kinds of jobs for which students have spent their college days preparing themselves, is turning out to be a vain one for hundreds of thousands. It may be the most discouraging year since the 1930s, as hard-pressed companies cut back their staffs, slap freezes on hiring, and cancel campus-recruiting appearances.

## High Average

Mr. Dombrowski is a 27-year-old marketing major who has an admirable grade average at Michigan State. He has been going to college off and on for nine years because he had to help support his widowed mother and younger brothers in Grand Rapids, where he worked in a

factory and attended a community college part-time.

All his life, he had been told that college was the route to a good, well-paying job. Now, after six months of fruitless trying, Mr. Dombrowski assesses his chances of getting such a job this way:

"Unless it's going to be something like—what do they call it in literature class—*deus ex machina*, where God's going to come down and lay it on me, it isn't going to happen."

He has sent out about 75 résumés offering his services as a salesman of machine tools and other industrial equipment, the job for which he has been trained. He has had about 15 preliminary interviews, all to no avail.

## Lowering Sights

Like many others, he has had to lower his sights. "If anybody had told me two terms ago that I'd be down here signing up with the Oscar Mayer Wiener Co. I'd have told them they were crazier than hell," he said as he signed up for the interview.

If things are bad for Mr. Dombrowski, they are worse for students majoring in the social sciences and humanities, those onetime glamour fields that only a few years ago attracted legions of reform-minded students bent on doing good in the world.

"I'd advise them to hang it up," Mr. Dombrowski said, and analysts at the College Placement Council in Bethlehem, Pa., tend to agree.

The bottom actually fell out for the liberal-arts graduates during the recession of 1970 and 1971. Companies cut their campus-recruiting visits about in half then and veterans in the college-placement field said at the time that it was the most drastic decline since the Depression.

## Picture Dimming

Job prospects in most degree categories had showed at least a modest recovery by 1974. But the market for liberal-arts graduates

Husak Assails  
Dubcek Over  
His Protests

PRAGUE, April 16 (Reuters).—The Czechoslovak Communist party leader, Gustav Husak, today sharply attacked his successor Alexander Dubcek, who he said "can pack his bags tomorrow and move to any bourgeois state."

But Mr. Husak warned that if Mr. Dubcek stayed in Czechoslovakia "he must fully respect Czechoslovak laws."

Mr. Husak was addressing a session of the Central Committee of the National Front—the Communist umbrella organization of all political parties and social bodies—which met on the eve of the sixth anniversary of the day he assumed the leadership of the party following Mr. Dubcek's ouster.

He said Mr. Dubcek can go tomorrow to his patrons and his protector.

## Consequences Cited

"But if he stays he will have to fully respect Czechoslovak laws. All the consequences for their breaching are as valid for him as for everybody else," he warned.

Mr. Husak's speech was the first official reaction to a letter written by Mr. Dubcek to the Presidium of Czechoslovakia's Federal Assembly (parliament) protesting against his constant surveillance by secret police, and accusing Mr. Husak's leadership of suppressing the rights of the people.

Excerpts of the letter were published in the British Sunday newspaper the Observer and reprinted in many other Western newspapers (UPI, April 14).

Mr. Husak said that when he last spoke to Mr. Dubcek after his ouster, "he cried, and said that now there will be trials, arrests, executions."

"But we chose the political solution, even though administrative solutions existed and were even used in some stages of history."

## But Is Firm on Payoff Denial; Defense Rests

## Connally Admits to Lapses of Memory

WASHINGTON, April 16 (UPI).—The defense rested its case yesterday in the bribery trial of John Connally after the former secretary of the Treasury conceded that his memory was flawed but insisted that he had never accepted \$10,000 in payoffs. The 58-year-old defendant, the last of 47 witnesses at the trial in U.S. District Court here, told the jury "Never in my wildest dreams could I have assumed, or dreamed in a wildest nightmare, I would be sitting here today."

After final summations by Frank Turckheimer, an associate Watergate special prosecutor, and Edward Bennett Williams, the chief defense attorney, the jury will begin deliberations.

Mr. Connally is charged with accepting \$5,000 on two occasions in 1971 from Jake Jacobson, a former lawyer for a dairy farmers' cooperative. Jacobson, the only one of 38 prosecution witnesses to charge directly that Mr. Connally accepted the payoffs, testified that they were a gratuity for the defendant's help in obtaining increased federal milk price supports.

## Under Oath

Throughout three hours of cross-examination by Mr. Turckheimer yesterday, Mr. Connally acknowledged that some testimony he had given under oath to a federal grand jury and to the Senate Watergate committee in late 1973 and early last year had been "mistaken" that he had "remembered incorrectly" or that answers had been based on "my best memory."

He told Mr. Turckheimer that, because he had not accepted any payoffs, he had been ill-prepared for the interrogations in 1973 and last year.

"I just didn't think it was going to amount to a hill of beans," he said of the dairy money investigation.

Mr. Connally contended that Jacobson had proposed, in the middle of 1971 and in August, 1972, giving \$10,000 of the dairy farmer cooperative's cash to political candidates of Mr. Connally's choice or to the 1972 re-election campaign of President Richard Nixon. Mr. Connally insisted that he had rejected both overtures.

## Political Deal

Mr. Turckheimer asked Mr. Connally if Mr. Nixon had said, following a March 23, 1971, White House meeting on the milk price support issue, that the decision to increase the support level was "a cold political deal." Mr. Connally said he had no recollection of such a remark.

Mr. Turckheimer then asked Mr. Connally, Judge George Hart and the jurors to don earphones

and listen to a two-minute White House tape recording of the March 23 conversation.

On the recording, Mr. Nixon could be heard above background noise telling Mr. Connally, "This is a cold political deal. They're very tough political operators."

Mr. Connally listened to the recording, his eyes closed and his fingertips pressed to his temples, and then conceded, "Oh, he said those words."

But the former cabinet officer said the comment had referred not to the milk price support issue per se but to plans to use the price support decision as a

bargaining chip in negotiations with congressional Democrats and thereby secure approval of the administration's federal revenue-sharing program.

Subsequently, Mr. Turckheimer asked the defendant why he had told a grand jury he did not know on March 23, 1971, that the administration would reverse itself and order higher milk price supports.

"My memory is certainly better after listening to the tape" of the March 23 meeting, Mr. Connally replied.

Coalition Formed  
in West Berlin

BERLIN, April 16 (AP).—The Social Democratic party and the small Free Democratic party have agreed to a coalition government for the next four years in West Berlin.

A West Berlin government spokesman said today that the coalition decision has to be approved by the respective party factions in the assembly, but approval is practically assured.

Klaus Schuratz will remain as mayor and eight ministers will come from the Social Democratic party. The Free Democrats will get three cabinet posts, including that of deputy mayor. Hermann Oxfort, who also will be the justice minister.



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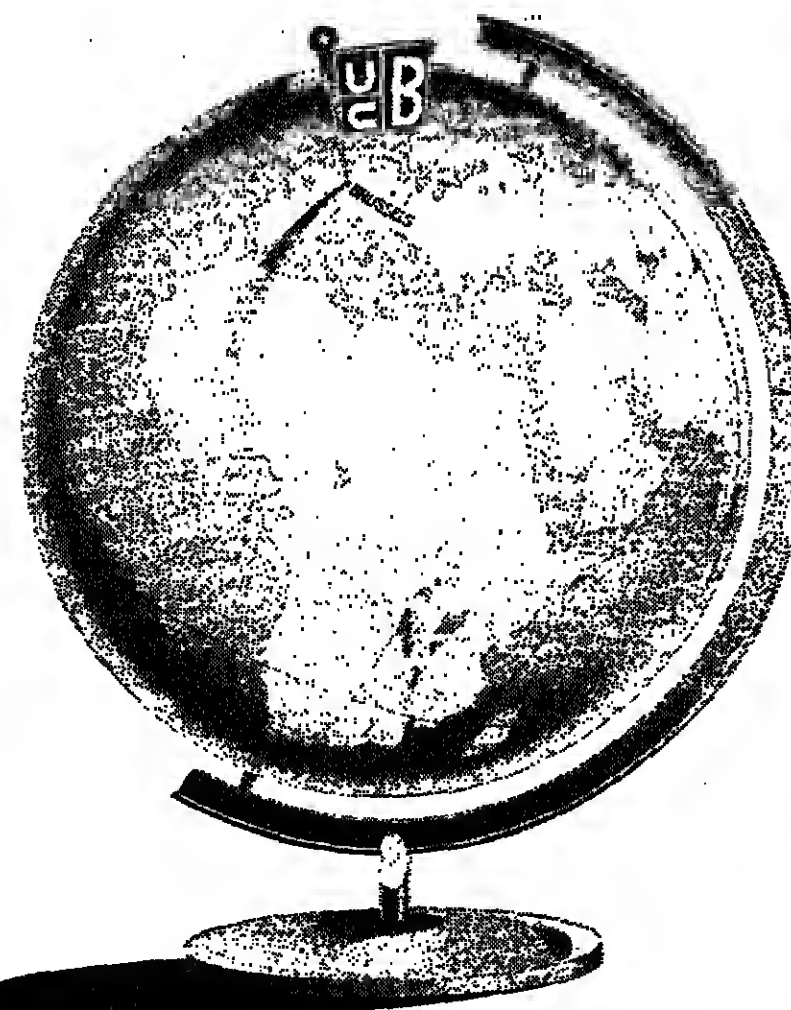
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Actually, United California Bank has been in Brussels since 1969.

At that time, we absorbed the assets of Union de Crédit de Bruxelles—a bank which was founded in 1848. During the last six years, we've been maintaining that office as a subsidiary.

But now we've changed. Our new Brussels branch, which opened on March 24, has made it possible for us to expand our dealings both in Belgium and throughout Europe.

We have a staff of 85

European and American bankers, with access to expert information in the fields of project financing, natural resources, transportation, leasing and agribusiness.

Our new branch is managed by Mr. Arthur Sealls. And Mr. Robert A. Jacobsen Jensen is in charge of foreign exchange and money management.

Besides our branch in Brussels, we maintain offices in New York, London, Madrid, Beirut, Tokyo, Taipei, Hong Kong, Singapore, Jakarta, Manila,

Melbourne, Sydney, Nassau, Mexico City, Rio de Janeiro and Lima.

We think we've been here long enough to know quite a bit about Belgium. Now we'd like to have the opportunity to get to know you.

If you need any kind of banking service or financial assistance, drop by or call. We'll be happy to help you.



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hakeup Caused  
y News Leak  
t White House

WASHINGTON, April 16 (AP).—An administration flap over a leaked report that Secretary of State Henry Kissinger's power might be curbed has led to a leak in the White House press office.

Press Secretary Ron Nessen announced yesterday that Louis Simpson has been dropped as assistant press secretary and that William Greener Jr., a senior aide to White House staff of Donald Rumsfeld, now is deputy press secretary.

Mr. Nessen denied that Mr. Simpson's departure stemmed from a Columbia Broadcasting System report last week that he was President Ford's adviser to strip Mr. Kissinger of his role as head of the National Security Council.

Other White House sources, however, said that Mr. Thompson was fired on charges he was the ringleader of a news leak involving the secretary of state.

The Des Moines Tribune quoted Mr. Thompson as saying he had been made a scapegoat and that "it's widely known among White House press corps that Nessen was the source" of the CBS broadcast. Informed of the Des Moines report, Mr. Nessen said, "I have nothing to say."

Ford Calls Probe,  
Delays Rail Strike

WASHINGTON, April 16 (AP).—President Ford invoked emergency action today to avert a nationwide railroad strike threatened next Friday by the Brotherhood of Railway and Airline men.

Mr. Ford created a fact-finding and to investigate the dispute over procedures of the Railway Labor Act, a step that automatically delays any strike for 60 days.

Attorney and labor arbitrator Alexander Porter was named to lead the three-member board, which is to report its findings to a President within 30 days.



## Threaten Continued Protests

## French Winegrowers Cool to Import Plan

PARIS, April 16 (UPI).—French winegrowers complained today over the French government's decision to stop barring imports of Italian wine.

The growers threatened to continue demonstrations that have disrupted road, rail and air traffic in the south of France since Monday. It was unclear late today whether shipments of Italian wine were arriving in France.

Emmanuel Maffre-Baugé, president of the French Table Wine Association, told reporters:

"We are reserving judgment. Some points are positive, such as immediate distillation [the French government said excess stocks would be distilled into industrial alcohol]. But the price is not sufficient. We also want to know what price the Italian wine is coming in at."

**Traffic Hampered**  
Demonstrators lined the runways at Montpellier and Nîmes airports last night, halting flights. The Ventimiglia-Marseilles train was blocked for three hours. Dozens of roads were blocked, some by felled poplar trees that were set afire.

Authorities estimated that 60,000 demonstrators were out yesterday. Nobody was hurt, but the government tax office in Pesez was set afire at the one in Toulouse was sacked.

Thirteen hours of negotiations in Luxembourg yesterday ended with France's agreement to readmit Italian wines. But the price was high—a special \$80-million Common Market subsidy to soak up most of the surplus by distilling it into industrial alcohol.

France also agreed to join in Common Market action later

this year aimed at lowering French wine production. These measures, when they come up for debate in the summer, could cause as much anger among growers as the surplus itself.

**Two Bumper Crops**  
The surplus was caused by two consecutive bumper crops in the vineyards of southern France, which produce much of the cheap "vin ordinaire" that Frenchmen drink with their meals. At the same time, there was an un-

expected fall in French wine consumption.  
The import ban followed and the "wine war" was on.

The distillation subsidy will enable the Common Market to distill the equivalent of 1.6 billion bottles of wine into industrial alcohol this year.

Total Common Market wine stockpiles are about 11 billion bottles. But most of this is wine going through the process of aging.

## Cognac Export Firm Pleads Guilty to Tax Fraud in U.S.

By Paul Hodge

WASHINGTON, April 16 (UPI).—One of France's largest Cognac distillers pleaded guilty in U.S. district court here yesterday to charges that it conspired to avoid proper U.S. customs duties involving the sale of more than 13,000 bottles of Cognac in Washington, New York and several other large U.S. cities.

The French corporation, Camus, which has been attempting to enter the U.S. market on a large scale during the last few years, pleaded guilty to fraud charges of filing false invoices with the U.S. Customs Service on sales of one of its Cognacs, Chateau d'Uffant.

## Chiang Entombed After Christian Rites in Taipei

TAIPEI, April 16 (UPI).—Chiang Kai-shek, last of the Big Four World War II leaders, was entombed today in a mausoleum on this island, 300 miles from the mainland he had vowed to regain.

One minute of silence was observed across Taiwan after a 15-minute state funeral for the former president. The Christian service was conducted by a Baptist minister.

More than 2,500 persons, including Vice-President Rockefeller, attended the funeral at Sun Yat-sen Memorial Hall. Chiang's body was moved there to lie in state after he died of a heart attack April 5 at 87.

Thousands more lined a 40-mile route to watch the hearse, covered with white and yellow chrysanthemums, bear Chiang's body to an above-ground vault at one of his favorite retreats, Tzu Hu—Lake of Mercy—southwest of the capital.

Chiang's body was entombed above ground because he had asked to be permanently buried on the mainland. He was driven from there in 1949 by the Communist forces of Mao Tse-tung.

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Neither Capitol nor any of the numerous liquor dealers that have sold the Cognac have been charged with any crime in connection with the case. Mr. Seidel said yesterday that the investigation of the fraud is continuing.

Last month, a New York wine and Cognac broker, Alfred Grosser, who owns Cosmopolitan Imports, pleaded guilty to filing false invoices in connection with the Camus Cognac scheme. He was fined \$1,000.

Yesterday, Camus Corp. president Michel Camus, who appeared voluntarily in this country for the case, was fined \$2,500. The maximum penalty for violating the U.S. conspiracy law is \$10,000.

Mr. Seidel told a reporter yesterday that the fraud scheme enabled U.S. liquor stores to avoid more than \$1 a bottle duty charges and helped Camus sell more Cognac in the highly competitive and expensive Cognac market in this country.

The scheme hinged on undervaluing the Cognac on customs declarations. Customs duties jump drastically from 62 cents a gallon of Cognac valued at \$9 to \$5 duty for a gallon of Cognac valued at more than \$9.

Business and diplomatic sources—who anticipated the move—said they were more interested in the next phase of the nationalization drive, since it would define the extent of private enterprise to be allowed in the country.

Premier Vasco Gonçalves called the take-over of steel, electricity, petroleum and transport part of Portugal's "developing revolutionary process." He said that the government was studying the possibility of "when appropriate"—of nationalizing the mining, beer, tobacco, cellulose, chemical, petrochemical, cement, naval construction and pharmaceutical sectors.

As with the nationalization of banks and insurance companies last month, he said that foreign firms and capital were largely exempt. That was an apparent effort not to frighten off the foreign investment the country needs.

Referring specifically to the seven U.S. and European companies prospecting for oil—so far unsuccessfully—the government said it would "fully honor" its foreign commitments but reserved the right to review and seek revision of the oil concessions.

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FEEDING TIME—Twin baby giraffes, Chris (left) and Christine, gather around their mother at a zoo in Hemmingford, Quebec. Two were born last month.

## Foreign Firms Unaffected

## Lisbon Formally Takes Over Energy, Transport and Steel

LISBON, April 16 (AP).—Portugal announced the nationalization today of the energy, transport and steel sectors, but the move was more formal than substantial since the government already exercised effective control of them.

A spokesman for the privately run Confederation of Portuguese Industries minimized the dangers to foreign businesses and said there would still be "plenty of room for private initiative in Portugal." But some foreign investors expressed concern.

Noting how Communist-led trade unions cut across the lines of domestic and foreign firms, a company head said that wage rises and nationalizations of Portuguese companies could not fail to cause pressure for similar measures in foreign concerns.

Premier Vasco Gonçalves called the take-over of steel, electricity, petroleum and transport part of Portugal's "developing revolutionary process." He said that the government was studying the possibility of "when appropriate"—of nationalizing the mining, beer, tobacco, cellulose, chemical, petrochemical, cement, naval construction and pharmaceutical sectors.

As with the nationalization of banks and insurance companies last month, he said that foreign firms and capital were largely exempt. That was an apparent effort not to frighten off the foreign investment the country needs.

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## But Paris Limits Participation

## NATO Summit in June Is Called Definite

BRUSSELS, April 16 (UPI).—America's Western allies have agreed to meet President Ford at a NATO summit meeting here next month, NATO diplomats said today.

But the French Ambassador to NATO, François de Rosé, said his nation would be represented not by President Valéry Giscard d'Estaing but only by its Foreign Minister, Jean Sauvagnargues. Officially inspired reports from Paris today said France saw no point in the summit.

The United States has pushed hard for the 15-nation summit. It will be Mr. Ford's first trip to Europe since he became President and, as he said in his

State of the World message last week, will give the NATO allies a chance "to affirm once again our cohesion and common destiny."

**NATO Envoy Meets**  
There's no doubt that the meeting will take place, a source at NATO headquarters said after a two-hour meeting of NATO ambassadors on summit plans.

The diplomats said the summit will take place at NATO headquarters May 28-30—the date originally set for the annual spring meeting of NATO foreign ministers.

"France will certainly be there, represented by its foreign minister, as it is every year," Mr.

de Rosé said. "The main member states think it's useful to have the meeting at the level of chief executives. They are entitled to this opinion."

The diplomats said the summit might be moved early as Friday, after an ambassadorial meeting only thing holding up announcement now is lack of instructions from some states.

The 15 NATO nations: United States, Canada, France, West Germany, Norway, Denmark, Luxembourg, the Netherlands, Italy, Portugal, Greece and Turkey.

**Last Meeting in 11**  
The last NATO summit held here in June when President Richard Nixon last presidential trip joined in signing a declaration reaffirming unity.

French Prime Minister Jacques Chirac represented at the meeting. The reports from Paris were issued in semi-official by the Elysée Palace. No NATO summit in less than 11 years.

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## British Trade Unions, Leftists Assail New Laborite Budget

LONDON, April 16 (Reuters).—Britain's powerful trade unions and left-wingers in the ruling Labor party reacted angrily today against yesterday's stark, bell-tolling budget, which makes life a lot more expensive here.

Labor's Chancellor of the Exchequer Denis Healey was denounced for presenting a capitalist's budget which "klobbered the worker." There was bitter-ness against his assertion that high wages were to blame for inflation, and his acceptance that unemployment will probably have to rise.

Many militant trade-unionists indicated they would press for more wage claims to offset the new price rises—causing fears of an ultimate confrontation between the government and the unions which provide the bulk of its support.

Yet, despite the harsh words, the whole Labor-party structure indicated they would press for more wage claims to offset the new price rises—causing fears of an ultimate confrontation between the government and the unions which provide the bulk of its support.

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## Jean Morel, 72, Maestro in N.Y., France, Is Dead

NEW YORK, April 16 (NYT).—Jean Morel, 72, a conductor who specialized in French music and who headed the Juillard School's conducting department from 1949 to 1971, died at his home here Monday following a long illness.

Mr. Morel's last public performances in New York were in 1971 when he conducted "Carmen" at the Metropolitan Opera and the Juillard Orchestra in his final concerts before his retirement from the school.

His conducting career began in France, where he was born in the town of Abbeville on Jan. 10, 1903. He was a conductor at the Paris Opera-Comique from 1938 to 1939 and of the French National Radio Orchestra from 1936 to 1939.

Following extended periods of operatic conducting in Rio de Janeiro and Mexico City, he made his New York City Opera debut in 1944 and remained with the company through 1951. In 1956, he rejoined it for a few seasons.

In 1959, Mr. Morel joined the staff of the Metropolitan Opera. He was guest conductor of the New York Philharmonic in 1959 and also made guest appearances with the Boston Symphony, the Cincinnati Symphony and other orchestras.

**Erik Vesely**  
WASHINGTON, April 16 (AP).—Erik Vesely, 70, an expert on the Soviet Union, died at hospital Monday of complications following an operation.

## Spain F-4 Deal Reported Off; Link to U.S. Base Talks Seen

MADRID, April 16 (AP).—Spain has withdrawn an offer to buy 24 U.S. Phantom F-4 fighter-bombers, citing "budgetary reasons," U.S. military sources reported today.

The sources declined to comment on Spanish reports that the sale was called off pending agreement on continued American use of Spanish military bases.

Spain and the United States are negotiating an agreement to continue the American presence at two big Spanish air bases and at Rota Navy base, west of Gibraltar on Cadiz Bay.

The Spanish Air Ministry gave U.S. officials a "letter of offer" for the 24 Phantoms about three weeks ago, the sources said. But the letter was withdrawn by the Air Ministry a few days ago because, Spanish officials said, "the purchase of the Phantoms had not been approved in the budget."

Air Ministry officials were not immediately available for comment.

No purchase price for the Phantoms was mentioned, U.S. sources said. Spain has 36 of the McDonnell Douglas planes in operation at bases around the country.

Spanish speculation has suggested that Spain might delay purchase of the Phantoms in favor of the new, lighter F-16 fighter made by General Dynamics Corp. The American plane is finding favor with members of the North Atlantic Treaty Organization as a replacement for the F-104 Starfighter.

Spain is not a NATO member, but some Spanish politicians have resented that Spain's chances for entry into NATO have improved because of trouble with NATO members Greece, Turkey and Portugal. The United States for some years has supported Spain's entry into NATO.

Spain is not



## From Aix to Verona in Festival Circuit

April 16 (LHT)—The festival circuit is a guide to international information may be found from festival organizers and addresses are also information about festivals which appeared in the March 16, April 3 and

(July 5-19) "Viviana" Quartet, pianist Joan Carro, guitarist Paco Al. join with Wessex in events held in the dunes in and around a music drama, "Let's Go," by Raymond will be given in the and there will be several noted theatrical works by Thomas, and by Wessex at the festival. (Festival of Arts, 7-11 Brown albury, Wilts, En-

provenance (July 10-31): "Carnaval de Venise" Jorge Lavelli, Rossini's "Regina d'Inghilterra" strong cast headed by Cabelli, and Donizetti's "L'Amore e la Morte" are the main events—and in a expansion, the Russian given in the Roman Azies. The contemporary birth will be observed in a multimedia festival for Aug. 2 and 3. (Festival of Arts, 7-11 Brown albury, Wilts, En-

(July 10-Aug. 3): New is this year are of "Antigone," Verdi's "Aida" in the National and Mozart's "Idomeneo" by other productions. (Festival of Arts, 7-11 Brown albury, Wilts, En-

lik (July 10-Aug. 25): Adria city offers concentrating on sacred music. (Festival of Arts, 7-11 Brown albury, Wilts, En-

(July 12-Aug. 14): Bernard Fenderecki conducts of their own works, etc. (Festival of Arts, 7-11 Brown albury, Wilts, En-

(July 12-Aug. 26): "Carmen," Verdi's "La traviata," Puccini's "Tosca" and Beethoven's Ninth are the main events. (Festival of Arts, 7-11 Brown albury, Wilts, En-

(July 12-Aug. 29): "Carmen," Verdi's "La traviata," Puccini's "Tosca" and Beethoven's Ninth are the main events. (Festival of Arts, 7-11 Brown albury, Wilts, En-

Courcoups and Storm Yamashita. (Festival of Arts, 7-11 Brown albury, Wilts, En-

Festival Festival de Paris (July 15-Sept. 23): In its 10th year, this festival promises to keep Paris musically alive during the summer with at least one event a day, mostly in historic sites. A random selection of those pitching in: Narciso Yepes, Pierre Boulez, Josse Sub, Karys Geyring, Jean-Pierre Rampel, Rafael Puyana, George Malcolm, Jean Martinon, Jean Fournet, the Deller Consort, the Prague Madrigalists, the Ballets Modernes de Paris and the Ballet-Théâtre Contemporain. Films, audio-visual events, exhibitions round out the program. (5 Place des Terres, 75011 Paris.)

Bregenz (July 17-Aug. 18): Strauss's "A Night in Venice" and Adam's ballet "Le Corsaire" are this year's spectacles on the floating stage on Lake Constance. Donizetti's "Don Pasquale," with Giuseppe Taddei in the title role, and Mozart's "La Finta Semplice," in the Hohenems castle, will keep the other Bregenz traditions going. The Vienna Symphony, the Austrian Radio Orchestra, the Bach Orchestra of Leipzig, and the chamber ensembles of Cologne and Zurich are in the concert program. (Bregenz Festspiele, Kornmarktstrasse 6, Bregenz, Austria.)

Haslemere (July 18-26): For the 51st time, a week of 17th and 18th-century music on original instruments by Carl Dolmetsch and his colleagues, Haslemere Hall, Haslemere, Surrey, England.)

Orange (July 19-Aug. 20): Wagner's "Die Walküre," conducted by Rudolf Kempe and with Birgit Nilsson and Leonie Rysanek (July 19); Handel's "Messiah" under Charles Mackerras (July 27) and Verdi's "Otello" with Teresa Zylis-Gara, Jon Vickers and Ingvar Wixell, with Lorin Maazel conducting (Aug. 2) make up this year's bill of fare in the huge Roman theater. (Chorégies d'Orange, Maison du Théâtre, 84100 Orange, France.)

Ansbach (July 25-Aug. 3): Bach Week runs 10 days, with a couple of concerts a day—in the Hofgarten Orangerie and various churches—all but one of them devoted to J. S. B. Besides the festival's own ensemble, there are the Ensemble Vocal de Lausanne under Michel Conty, the Jean-François Paillard Chamber Orchestra, Daniel Chorzempa (playing the organ and, on piano, the Goldberg Variations), harpsichordist Eugénie Dreyfus and Rafael Puyana, flutists Marcen Lariou and Andras Andorjan, and violinists Gidon Kremer, Gérard Jarry and Ulf Hoelscher. (Bachwoche Ansbach, Postfach 41, 88 Ansbach/Mfr., West Germany.)

Bayreuth (July 25-Aug. 28): "Parsifal" will have a new staging by Wolfgang Wagner, with conducting duties shared by Horst Stein and Hans Zender, to replace the now-retired 1951 Wieland Wagner production. "Tristan," "Meistersinger" and two "Ring" cycles fill out the program. (Richard Wagner Festspiele, Postfach 2320, 8580 Bayreuth 2, West Germany.)

Flanders (July 26-Oct. 13): Opera includes Handel's "Xerxes" from Leipzig, Monteverdi's "L'Orfeo" and Bartók's "The Miraculous Mandarin" by Alvin Nikolais and Israel's BatSheva troupes join Maurice Béjart's and the Flanders Ballet in the dance department. Visiting orchestras include the New York Philharmonic, the Cleveland Orchestra, the London Symphony, the Concertgebouw, and the Vienna and Moscow Philharmonics, along with numerous early music ensembles. There will be Ravel and Palestrina



Noëlla Fontois is carried off stage at the Paris Opéra where she and Mikhail Baryshnikov, left, had been rehearsing "La Bayadère" for a performance tonight. She sprained her ankle and will not appear. Baryshnikov, who last year defected from the Soviet Union where he had been a star of the Kirov Ballet, himself sprained his ankle in Sydney in February. Tonight Baryshnikov will dance "Don Quichotte" with Wilfride Piollet.

cycles. All in historic sites in Brussels, Ghent, Bruges and other cities. (Festival van Vlaanderen, BRT-Omroepcentrum 9 L 26 Bevelaan 52, 1040 Brussels.)

Salzburg (July 26-Aug. 30): This year's new opera production, with Herbert von Karajan in charge, will be Verdi's "Don Carlo," with Mirella Freni,

Christa Ludwig, Plácido Domingo and Montsi Gismurov in the cast—and as the solo quartet in a Verdi Requiem under Karajan. Leonard Bernstein will conduct his own "Chichester Psalms" and Mahler's Eighth Symphony, Willy Boskovsky and the Vienna Philharmonic will celebrate Johann Strauss's 150th birthday, and Karajan, Karl Böhm, James Levine, Claudio Abbado are among

the conductors. Rostropovich, Bernstein, Arrau among the soloists, and the Israel and Berlin Philharmonics and the London Symphony among the orchestras for the concerts. Serenades, Mozart matinees, lieder and instrumental recitals and other traditional events complete the program. (Postfach 140, 5010 Salzburg, Austria.)

—DAVID STEVENS.

## Enrollment Up

## Women's Colleges, Women's Lib

By Daniel Q. Haney

WELLESLEY, Mass., April 16 (AP)—For many people, Wellesley College still means smug sophistication, the superiority of bright, aggressive rich girls away from home.

"I thought women would come out of here saying 'Well-les-lee,'" Barbara Sheridan separated the syllables in a bored, aristocratic monotone between clenched teeth.

"Maybe that happened before, but I don't think it does so much anymore."

"Before" was when Wellesley stood out as a social pinnacle in the academic mountains. Now, after a social revolution that insists men and women are the same, or at least equal, Wellesley seems to be something different. It is a college run by women for women.

That old notion is beginning to seem like a good idea. For most all-female schools, it comes in the nick of time.

In 1968 there were 308 women's colleges in the United States. Now there are 146. The rest have folded, merged or in the case of 119, gone co-ed. But only seven of them have disappeared since 1972.

In the past couple of years, the women's liberation movement has reached into high schools, and the idea that maybe women are the best people to prepare girls for a male-dominated world caught on.

Indeed, 70 women's colleges have formed the Women's College Coalition to define and develop this role. The coalition has members in 22 states and the District of Columbia.

While many co-ed schools grapple with dwindling enrollments,

more American women than ever are applying to women's colleges.

Wellesley, for example, received 2,416 applicants, a record, for admission to its freshman class of 1975. That's a 2-per-cent increase over 1974 when 2,357 applied. But 1974 was an 18-per-cent increase over the 2,000 applicants in 1973.

The low point in recent years was 1971, when 1,852 students applied. The peak in the 1960s was 1965, when 2,523 applied. At Mt. Holyoke in South Hadley, Mass., there were 1,833 applicants in 1968, 1,682 in 1971 and 1,937 this year.

"When I decided to come here, it was because of Wellesley's academic reputation," said Miss Sheridan, 20, a junior from Deerfield, Ill. "I don't think I gave any thought to the fact that it was a women's school. Now I'm really glad. It's made me look for the first time at broadening women's role."

The ability to make women competitive is emerging as the dominating spirit of women's colleges, whether they are such academic bulwarks as Wellesley or other liberal arts schools with bright new career programs.

"Women's colleges are the schools that perform," said Barbara Newell, president of Wellesley. "Part of the reason is that students are taken more seriously in women's colleges. There is less sex typing of career possibilities."

Speaking Out

Laura Murphy, 19, of Baltimore, said she decided on Wellesley when she found the interviewer friendlier and the surroundings prettier than at Brown or Radcliffe, where she also was accepted. But another of her reasons was one frequently cited by

her classmates. It was the chance they have to speak out at all-female schools, to run things without being dominated or intimidated by men.

"I don't like the way some male students react to an outgoing and outspoken female. It's not that I don't want to be challenged. I just don't want to have to put up with that pettiness," Miss Murphy said.

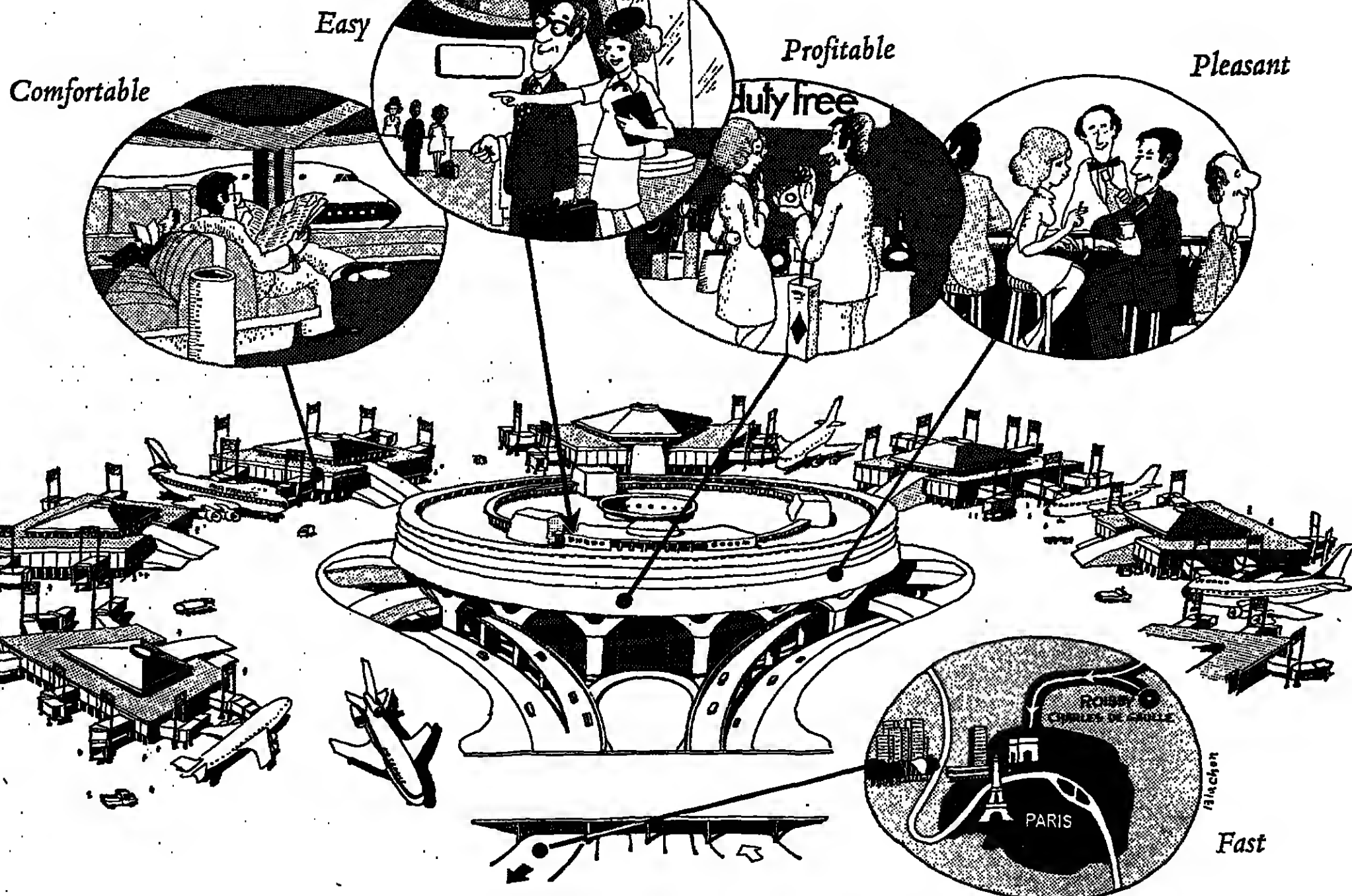
While attitudes have changed, colleges have changed, too. At Wellesley, for example, courses about women have sprung up in almost every discipline. They range from theories of feminism to the social history of American women.

"Women's colleges are finding a new place for themselves," said President David Truman of Mt. Holyoke. "They are specialists. It's possible for women's colleges to be able to understand the personal, social and learning problems of young women as different from those of young men and deal with them."

Elizabeth Tidball, a professor at George Washington University Medical Center, says her studies show women who graduate from all-female colleges achieve twice as well as those with degrees from co-ed schools.

"Right now, there needs to be more confidence on the part of women that they can do what they go to college for regardless of the sex of people in the classrooms," said Ingrid Stadler, head of the philosophy department at Wellesley.

"They don't have that yet. When the world can accept women, then there will no longer be a reason for them to be segregated."



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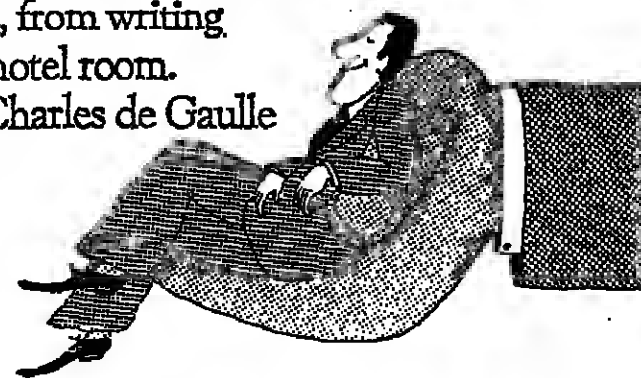
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## ENTERTAINMENT IN NEW YORK

YORK, April 16 (LHT)—is how critics for The Times rate new stage ones:

"Your Cat Is Dead," by Kirkwood, at the John Theater, "is a woodenly and oddly unhealthy all," says Clive Barnes. (Ker Dullea) has just jumped from a leading role away play, his girlfriend walked out, and his cat died. Under his bed is a burglar (Tony Mumford) soon overpowered by tied to the sink and fed upagne and cat food. The "beautifully done," "per-droll," and Vivian Matuszewska's direction is perfect "brilliant" double act of lead players. However, warns that those who find "unsavory" would do stay away.

Constant Wife," directed John Gielgud, and star-

ing Ingrid Bergman, proved a disappointment to Clive Barnes, who points out that it is not one of Somerset Maugham's best plays. He calls the revival "mildly limp," and says that Gielgud's direction is "lethargic." For some, the presence of Miss Bergman in this play about the hypocrisy of "that double standard of morality imposed on men and women" will be enough. Others, however, will agree with the anonymous New York Times critic who characterized the play, after its opening night some 50 years ago, as of "no overwhelming importance." Moreover, the cast seems "a trifle elderly," Barnes points out that Maugham intended the heroine to be 36 and that while Miss Bergman is "radiantly handsome, she does not seem a 36-year-old." The result detracts from the impact of the play.

## ART ET CREATION

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pin Museum  
OW, April 16 (LHT)—the Leningrad home of famous singer Fyodor (1873-1938) has been into a museum of operatic art, according The apartment has been uted by his daughter, exactly as it was when in lived there from 1915



## Dilemma in Vietnam

The Congress is striving in its fashion, through its committees and caucuses, to respond to the difficult and disparate array of Vietnam proposals put to it by the President last week. Although the process of responding is still going on, at least two broad thrusts seem clear. The Congress remains extremely dubious about the value of supplying any military aid to President Thieu either to let him continue the war or to provide him with a firmer stance for negotiations. But the Congress is alert to the need to arrange for the safe evacuation of Americans and to do so in a way which may help some endangered Vietnamese also to depart as long as the risk of renewed American military involvement is not thereby enhanced. So the Congress is trying to separate these two goals, even as the administration attempts to commingle them. The Congress's lever is, essentially, money—for tomorrow. The President's lever is, essentially, control over policy—today. If anyone needed any further demonstration of the need for presidential-congressional cooperation in foreign affairs, this is it.

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The principal burden of negotiating a "settlement" with the President has fallen to the Senate Foreign Relations Committee. It does not share the administration's dogged dedication to demonstrating faithfulness to President Thieu, but it does share the administration's understanding of how difficult it would be politically and operationally simply to carry the Americans out of Saigon in one swoop. It would perhaps be more accurate to say that the committee shares some of the administration's understanding for it is still not absolutely clear to some committee members at least to what extent the President sees the Americans in Saigon as a threatened community needing to be evacuated and to what extent he may still have some lingering hope of using them as a hostage for prying out more aid. In any

event, the committee is composing its views partly on the basis of a rare meeting of its full membership with Mr. Ford, and it is working quietly to create a "contingency fund" that would give the President perhaps \$200 million or \$300 million to be applied at his discretion to bring about a safe evacuation. The panel is also trying to define the circumstances in which the use of American forces for evacuation purposes would be permitted.

This is a demanding exercise. On one side the committee must cope sooner or later with the very real question of whether Saigon would consider the contingency fund and evacuation procedure the equivalent of outright abandonment. On the other side, it is already wrestling with the no less real fact that the administration has yet to show that its Vietnam policy extends beyond propping up or "stabilizing" President Thieu. For it is simply not within the power of a legislature to force a war-ending policy on an administration so far set against one. This is a matter quite apart from the evacuation. Mr. Ford reported last week that he had asked Hanoi and the other signatories to the Paris agreement to see that it is respected. He surely knew that he could not ask Hanoi to yield its military momentum without gaining political compensation in return. But there is no sign that he wishes to help provide that political compensation which comes down, after all, to the removal of President Thieu and to the creation of a government with which Hanoi would conceivably deal. Nor is it clear that this change can be brought about by natural internal political processes without a push from the United States—a push which would leave America even more directly responsible for whatever the consequences might be. This is the dilemma confronting both the Congress and President Ford.

THE WASHINGTON POST.

## The Ecology Business

When Earth Day was first celebrated five years ago this month, the concepts of ecology burst upon the consciousness of the general public although they had long been familiar to specialists. Congress responded to this awakened public concern by passage of the National Environmental Policy Act, the Clean Air Act, the Water Pollution Act, and many lesser pieces of legislation.

It has been harder for business policymakers than for politicians to respond. Although businessmen talk about and pay some attention to business cycles and long-term projections, the inherent character of business life impels businessmen to make short-run judgments.

So it is that business executives often have difficulty in accommodating their thinking and their policies to the new scale of time and the widening ripple of connections made visible by the scientists who study pollution and its effects. The scientist talks of limits and the businessman looks for results. The scientist refers to data that are ambiguous and consequences that are unknowable, while the businessman has to juggle today's production and shipping schedules and calculate earnings for next quarter and next year.

Given this disjunction in viewpoints and styles of thought, many businessmen are a receptive audience to professedly hardboiled soothsayers who talk of "ecofreaks," denigrate environmental worries as a passing fad, and dismiss concern about the SST's effect upon the ozone or the supertanker's effect upon the ocean as "scare talk." How comfortable it is to mask old complacency with new skepticism.

Public officials have a duty to counteract such misinterpretations and dispel ignorance in a continuous effort at education. Russell W. Peterson, former governor of Delaware and now chairman of the Council on Environmental Quality, performed that function recently in a thoughtful address to an industry conference on the prevention and control of oil pollution.

After congratulating the petroleum in-

dustrial on the impressive strides it has made in recent years in trying to prevent oil pollution, he pointed out that there were four damaging spills from ships at sea in the month of January alone—from the Strait of Malacca to Delaware Bay. What stands out in the literature on this subject is "the enormous amount of controversy among scientists as to the effect of oil on the marine environment." On many of the critical issues in marine ecology, the only answer the scientists can give is a firm maybe.

Against this background of ambiguity and risk, Mr. Peterson reminded his listeners of the high cost of unintended consequences. The St. Lawrence Seaway permitted the entry of the voracious sea lamprey into the Great Lakes and the consequent destruction of commercial trout fishing there. The Aswan Dam increased by more than tenfold the incidence of a serious blood disease among Egyptians. The wiping out of sparrows in China caused a great increase in crop-destroying insects.

From these and other examples, Mr. Peterson drew the moral: "Forms of life and their environments are interconnected—and we are a long way from understanding these connections. Given our partial knowledge of ecological relationships, we must be proportionately more vigilant about protecting them."

It is those connections that businessmen and public policymakers have to bear in mind and factor into all their decisions. The ecological consequences, unfamiliar and uncongenial though they may be, have to be added to taxes, interest rates, labor unions and government regulations as another limit on the freedom of business decision makers. Less calculable and more subtle than the others, this limit is the most demanding. For the failure to perceive such connections in time can lead not merely to the failure of a business venture but to the failure of an entire life-support system on which millions of persons depend.

THE NEW YORK TIMES.

## International Opinion

### 'American Decline'

The collapse in South Vietnam has just brought a weighty argument to the new conformism, which is no longer that of the American challenge but that of the U.S. decline. Does the menace to Europe from now on come from the power or from the crisis of the American republic? Or from

the mixture of power and crisis, the giant being open, because of his paralysis, to fits of rage or at least to inconsiderate initiatives? In a sense, the relative decline of the United States is written in all statistics. . . . The American predominance after World War II resulted from historic accidents and could not last as such over the long haul. . . .

—From *Le Figaro* (Paris).

## In the International Edition

### Seventy-Five Years Ago

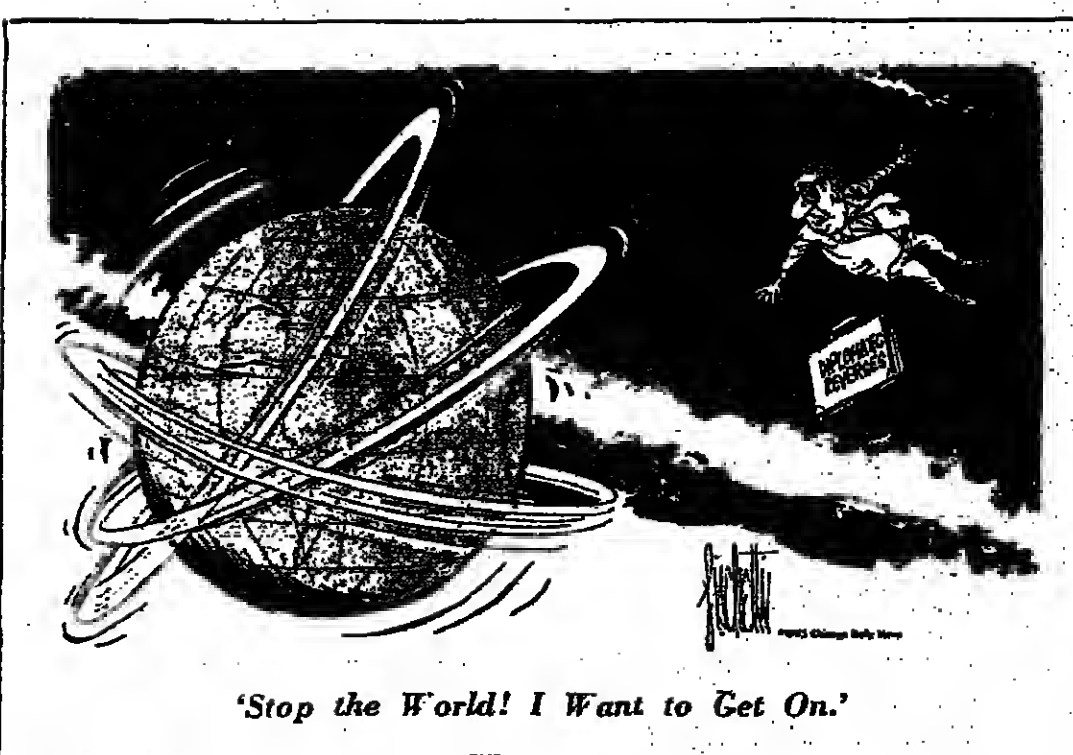
April 17, 1900

PARIS—Regarding the Paris World's Fair, which opened its gates yesterday, there was originally a great deal of confusion, which is probably quite normal under the circumstances, but during the afternoon things started to work and at evening the eod there were already more than 250,000 visitors and the day and the Fair were a great success.

### Fifty Years Ago

April 17, 1925

KANSAS CITY, Mo.—Bandits will be battled in this city after the manner of Kansas City's forefathers in the days of the Pony Express and stagecoaches. A band of 250 vigilantes, men noted for their skill with rifles and revolvers, has been organized to protect the banks. This regrettable but necessary situation has arisen because of a recent series of bank robberies.



## Some 'Messages' for the Kremlin

By Victor Zorza

WASHINGTON—The Soviet Politburo is no doubt discussing the opportunities and the dangers inherent in the apparent weakening of the United States. It prepares for such discussions by asking its experts, including the Soviet Embassy in Washington, for their views. Imagine that the CIA has intercepted some of these communications, and that these were then leaked to the press. How would a Soviet official, asked to summarize his views in no more than 500 words, present them to the Kremlin? His message might go something like this:

"The dilemma we face is how to exploit the present openings without alerting the West to the fact that we are doing so, since this might cause it to close ranks and even to over-react. It is therefore important that our press should continue to exercise the greatest restraint in commenting on the West's difficulties—a fact which some Western commentators take to reflect the Politburo's own restraint."

"Certain comrades note that the present series of crises does not detract from the overwhelming U.S. economic and military strength. They are right, of course, but this means that if we fail to act rapidly, and do not take advantage of the crisis of confidence, the opportunities now briefly available will soon be lost."

### The Vacuum

"The collapse of the U.S. position in Indochina concerns us not so much in terms of our relations with Washington as with Peking. China will try to fill the vacuum created by the U.S. withdrawal. We must therefore move quickly to establish our influence in such countries as Thailand and the Philippines, both of which have made it clear that they do not expect to rely on the United States in the future. We can help to speed up the U.S. withdrawal from Asia by encouraging other countries to take the same view. If the U.S. withdrawal is slowed down, this will give China time to build up its own power and to replace U.S. power gradually as it moves out of that area. But if we make sure that the pace of the U.S. withdrawal is maintained, we may be able to move in before the Chinese are ready to do so."

"In Europe, the dilemma we face is whether to encourage our Portuguese comrades to take full control in the name of the Communist party, since this would frighten large sections of the French and Italian electorate which might otherwise support their own Communists. A Portuguese take-over might also play havoc with this year's European Security Conference which is primarily in our interest."

"On the other hand, the French and Italian Communist parties are in no position to form Communist governments in the near future. They may conceivably join coalition governments, but they would then have to lean over backwards to dissociate themselves from 'the Kremlin,' as some Western Communist parties are already doing."

"If we continue to advise the Portuguese Communists to delay their bid for power, we may find that the stabilization of the economic and political situation in the West, and of the military regime in Portugal, will deprive us of the present unique opportunity of establishing a Communist government in Western Europe—and of gaining for our navy an Atlantic base which could radically affect the balance of military power in our favor."

"The activist policy in Asia and Europe suggested above may help to strengthen our position in the Middle East. Saudi's continuing defiance of Soviet interests is making other Middle East countries, such as Iraq, put less and less reliance on their ties with us, and to seek new alliances and alignments. By acting firmly in Asia and in Europe, we may be able to persuade these Arabs who accuse us of spinelessness that we would also act firmly in the Middle East if the need arose."

"These are the main considerations affecting our policy in some of the most important areas which are discussed in greater detail in the full studies requested by the Politburo. Please note that this document has been prepared in the absence of the ambassador from Washington. (Signed) Anatoly Roventsov."

"On my return to Washington I acquainted myself with Comrade Roventsov's communication to the Politburo, and I wish to inform its members of my complete disagreement with it. The only way we can 'move in' to replace the United States in Asia is by flaunting our growth."

### Letters

#### View of India

Since January 26, 1948, a tremendous, awesome experiment has been carried on in the second most populous country of Asia: to preserve and develop democracy as we understand it, in the face of terrible odds and threats both from within and from without. Surrounded by giant totalitarian states and a number of minor dictatorships, both leftist and rightist, India has remained—in spite of internal separatist tendencies, in spite of the great tensions of its traditional social systems, and faced with grave economic problems, with aggression, with the strategic games of the superpowers in the Indian Ocean—for almost three decades, the largest working democracy in the world.

True, there is corruption and nepotism, there are disorders and mismanagement, there are shifts and tendencies in India's foreign policy which are not appreciated by many of us; but, much more importantly, there still are the basic guarantees of a free, open, democratic society—an independent legal system, regular and free elections and fundamental freedom of the printed and spoken word. Above all, there is in India a great and deep respect for spiritual values which enhance human dignity and freedom. The stirring thoughts and attitudes of Mahatma Gandhi are still very much alive. Isn't it high time that the United States, swallowing some of its pride and reassessing its policies in Asia, did everything possible to help India to preserve and develop its democracy?

KAMIL V. ZVELEBIL, Wassenaar, the Netherlands.

#### Puzzled

Nick Ladington's story (LIT, April 9) on Saudi Arabian royal proxy is interesting but puzzling.

Did King Faisal have only sons? Did Old Saud's 50 sons

have a mother or mothers or sisters? What happens to girl babies then? Are they drowned? Given away? Eaten? Traded for camels?

Where are the Arabian sisters? M. S. St. Germain-en-Laye, France.

#### Gilding the Lily

To my story on the Ghent Floral XXVII (LIT, April 10) I stated that the prize money involved in that most remarkable flower competition amounted to more than 20 million Belgian francs (about \$70,000). The correct figure is 2 million Belgian francs, or a mere \$7,000.

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JAN SJOBY.

#### Inversion

One of the tragedies of the wars in Cambodia and South Vietnam is the inversion of morality being practiced on these very pages.

Anthony Lewis, the editorial writers of *The Washington Post*, cartoonists, Mauldin and Herblock and certain other journalists appearing in the *International Herald Tribune* are directing their fire not at the Khmer Rouge whose rockets are killing and wounding men, women and children in Cambodia or the attacking North Vietnamese troops uprooting millions of people in South Vietnam but rather at Henry Kissinger, President Ford, ex-President Nixon, Nguyen Van Thieu and "The Domino Theory."

Mr. Lewis went so far as to plead with Congress (LIT, March 11) to have the "courage" to show that democracy works and to reject the "evil counsel" of "the men of violence."

What was this "evil counsel"? Simply the request by the Ford administration to provide extra arms aid to Cambodia!

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## View of U.S. Policy In Fear of Sheik

By Joseph Kraft

TEHRAN—The great danger of the rout in Southeast Asia is not that other countries will fall like dominoes, still less that America will go isolationist. The true peril is that American leaders, fearful of showing weakness, will invent threats which they can confront for the purpose of proving their toughness.

Something like that is now happening in American policy towards the oil-producing countries of the Persian Gulf which I have just been visiting. The United States is taking a tough line on oil sheikhs because of unwavering fears which, at the very least, ought to be carefully scrutinized. The tough stance has been particularly evident at the preparatory conference held in Paris to set up a full-scale conference of energy producers and consumers. The United States dug in on an agenda for the full conference—refusing to accept the demands of the oil producers that other commodities be given as much attention as petroleum.

### OPEC's Demise

Assistant Secretary of State Thomas Sanders, who is known to be close to Secretary Henry Kissinger, burst out flatly that the American objective. He said that the United States sought to hasten the demise of the oil producers' cartel known as OPEC. Behind that tough stance are several layers of fears as to what will happen if the industrialized countries do not stand up to the oil producers. At the most general level there is fear of what Mr. Kissinger calls dependency.

The secretary believes that the United States—and even more Europe and Japan—are in grave danger of allowing themselves to become dependent on the oil producers. When that happens, he fears, the oil producers will be able to dictate policy on a number of matters. The decline of the West will have been achieved.

But that apprehension squares not at all with the realities of life here in the Persian Gulf. The oil sheikhs—and that includes the Shah of Iran and the King of Saudi Arabia as well as the heads of the smaller states—have everything they can do to manage their own countries.

They are totally absorbed in mastering primitive problems. They have to worry about building schools and roads, hospitals and ports, and so on. As the finance minister of Kuwait, Abdel Rahman al-Ahli, told me: "We don't have worldwide aspirations. We don't want to dominate markets or swallow other countries. We want to live in peace and stability so we can develop our own countries."

A second fear is that the oil-producing countries will use their economic power to force the construction and eventual destruction of Israel. It is certainly true that from Oman at the southern tip

of the Persian Gulf, Kuwait on the north, official U.S. met argue of pushing Israel back border. But the argument more moderate to those I had heard of thus, Palestinians, even Jordanians. The precisely because of it have a genuine interest in violence.

So it makes sense of states a truth which oil states does not even to itself—what that is that bringing to a more candid cannot be a one-shot by Kissinger wizardry, easily involves a long, painful conducted on a using both pressure a standing.

If anybody in the can get that message moderates in the oil any case it is surely deal openly with them than to get crosswise prices.

The fear that the create oil shortages an prices in a way ruin Western economy cannot great fear. This is surely not ill-founded as so widely suppose of unbridled greed on of the sheikhs.

On the contrary, the are in a defensive position see that the one common produce is being deple heard and read of effort on substitutes and ne They sense that they become the ex-novo

So they are driven prices up. They do l production, and they ceasing signs of don all the skill and cohes comes to countries threatened.

So the way to meet lem is to talk about. By such means fear on can be assuaged. Pro be made for the long-t of both consumers and The exact agenda of th doesn't matter. Ceria better to start talking stick at scoring debate.

No doubt those covin evil intent and fa schemes of the oil sh find my argument na the very least, the soft is worth trying—speci ing the recession when mand means the oil cannot easily assert t nomic power. If the co approach fails, it is al sible to turn tough. W possible to undo wou views of the oil sheikhs began to take seriou malign goals and grandi sies may be being impu by American policymake

## Seeking Kissinger's Friends

By James Reston

Congress, Henry Kissinger, was saying roughly the same thing. He promised nothing but he left the Congress with the problem that, even if the \$722 million did not save the situation, the "moral commitment" would still be valid. If the North Vietnamese kept coming, Washington would have to keep going. The Congress will probably compromise, but it is obviously not convinced.

### Playing Games

Kissinger, Schlesinger, and the Congress are playing games with one another. Kissinger and Schlesinger are pretending that \$722 million, which we can't afford, may "defuse" the military situation in Vietnam. The Congress knows, as well as they do, that it isn't true, so somebody has to change the question.

In Paris, the Russians, the East Germans and other Communists are talking privately about the possibilities of compromise. In London, Tokyo, Bonn, and even here in Washington, there are vague suggestions about how to avoid a bloody battle for Saigon. All suggestions are put out very tentatively, but indicate that even at this late date, there would be a negotiated settlement.

What the Communists are suggesting, of course, is that they would rather dictate the terms of peace than fight for them, and here is where the so-called great powers, and the UN could be helpful.

Washington obviously cannot do it by itself. It is not ready to go back into the battle, but if Kissinger could get off Capitol Hill,

he might be able to orgi world community to im political settlement.

### Ready to Deal

In the last few days, it been indications in several capitals that Hanoi, havi over most of the territ not most of the pe resources of South Vie ready for a deal. And in humiliating as it is, it the best compromise Sai get.

Even to get this, howe require pressure from London, Moscow and Lacking a return of the States into the war, whic in the cards, the "moral tion" is not to send me but to end the slaughter so-called "great powers" do it if they were faithfu principles of the Shanai Moscow communists, bu there is no guidance th or Kissinger has asked t do so.

The International Tribune welcomes letter readers. Short letters l better chances of being liked. All letters are s to correspondents for sons. Anonymous letter not be considered for n tion. Writers may requ their letters and sign with initials but pref will be given to those signed and bearing the er's complete address.



## Stocks React Favorably to U.K. Budget Project

LONDON, April 16 (AP-DJ).—The stock market reacted favorably today to the restrictive budget outlined yesterday by the Chancellor of the Exchequer, Mr. Healey.

## Prices Rise in Gold Coins in Britain

LONDON, April 16 (Reuters).—The international market in gold emerged in Britain today as a result of import curbs imposed yesterday's budget.

Restrictions, barring resale of imported gold coins after 1837 to British residents, gave the coins a new scarcity.

Fresh supplies from South Africa and elsewhere effectively for British private buyers, already in Britain at £78.50 bid \$80.50 offered after a day of fairly trading.

Coins attained a premium of around 14 per cent the close after touching 100.

On the Stock Exchange, after a hesitant start, prices advanced sharply in the afternoon. Light trading, however, kept major institutional investors apparently satisfied that Mr. Healey had done the best he could under current economic conditions.

Most government bonds, however, did not participate in the rally, mainly on concern over the sharply rising public sector borrowing requirement. Mr. Healey estimated borrowing this year would rise to \$9.6 billion from \$7.8 billion last year.

Leading equities rose, especially those with major exporting interests. Mr. Healey increased government tax incentives for investment by exporters. ICI advanced 8 pence to 236, British American Tobacco rose 16 to 320, Beechams was 15 higher at 233 and Unilever advanced 19 to 371.

The budget plans had little impact on sterling. The Bank of England had to give sterling some support in the morning when the rate dropped to around \$2.36, dealers said, but by the afternoon pressure had abated. A late quote put the rate at \$2.366.

ended March 31. The increase for March alone was a huge 3.9 per cent. The Department of Employment reported.

In his speech to Parliament yesterday, Mr. Healey blamed excessive wage demands for his restrictive budget measures.

The Department of Employment said the index of basic wage rates March 31 was 166.8, up 6.2 points or 3.8 per cent from a month earlier and up a record 32.5 per cent in the past 12 months. The previous record annual rise was 29.5 per cent, set a month earlier.

The monthly increase was exceeded only once before, in August 1974, when the rise was 4.1 per cent. The department said the pay rises last month were mainly due to higher wages for coal miners and workers in the engineering sector. Britain's 250,000 state-employed miners received increases averaging about 33 per cent at the beginning of March.

The annual increase in basic wage rates is now about 12 1/2 percentage points higher than the latest inflation figures as measured by the retail price index. The March price index, to be announced Friday, is expected to show Britain's cost-of-living rise has for the first time exceeded 20 per cent on an annual basis.

It is expected basic pay rises will again be sharply higher in April due to contract settlements for railway and electricity workers in state-run industries.

The index of basic wages is based on July 31, 1972, equals 100.

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## FINANCIAL NEWS AND NOTES

### Japan Textile Firm Seeks Help

Tokyo, April 16 (AP-DJ).—A major Japanese trading firm specializing in textiles, Asahi Textile Co., has asked Yoshitaka Kawamura, executive director of Sumitomo Bank Ltd., to become its vice-president. Sumitomo is Asahi's main lender and a major shareholder of the trading firm. Asahi's financial difficulties are the result of a sharp decline in its textile sales. Mr. Kawamura is expected to be approved as vice-president at an extraordinary meeting of shareholders scheduled for May 30. Asahi is estimated to have registered an operating deficit of 4.4 billion yen (about \$18 million) in the half year ended March against an operating profit of 350 million yen in the full year ended last Sept. 30. A company spokesman blames an unprecedented severe recession in the textile industry for the estimated deficit and says Asahi plans to liquidate part of its assets to help offset the deficit.

### AMC Sees Substantial Loss

American Motors Corp. expects to "incur a substantial loss" for its fiscal year ending Sept. 30, says John Anderson, vice-president, finance, of the fourth-largest U.S. auto maker. In the fiscal second quarter the company's pretax loss exceeded the \$10-million pretax deficit of the first quarter, he notes. Specific estimates

for either the period or fiscal 1975 were not made. Due to a slow sales pace, AMC has experienced liquidity problems and is urging the automobile industry task force of the House Banking Committee to consider "a form of loan-guarantee program which would facilitate borrowing from conventional sources." Without such a program, he warns, "it will be difficult or impossible for us to go to market and borrow" to replenish capital reserves once earmarked for future product and facility programs. He says most of AMC's problems result from low industry sales levels. "Our current market share is relatively good by recent historic standards—almost 5 per cent—but the industry volume is disappointing."

### U.S. Auto Sales Slump

The U.S. auto industry's hoped-for spring upturn did not arrive in early April. Car sales fell 20 per cent from a year ago to their lowest level for the period in 14 years. Industry analysts blame the steep decline on the end of a sales contest at General Motors and the post-holiday lull at Chrysler Corp. Industry sales for the April 1-10 period were 163,190, compared with a sluggish 230,375 during the 1974 period. Chrysler and GM posted the sharpest declines from a year ago, 37 per cent and 34 per cent, respectively. American Motors was down 22 per cent and Ford sales fell 14 per cent.

### BASF Also Gains but Inco Net Drops Sharply

## Deutsche Bank Profit Rises 67 Per Cent

FRANKFURT, April 16 (Reuters).—Deutsche Bank, West Germany's largest financial institution, reported today that consolidated group net profit rose 67 per cent last year.

The bank said group net profit totaled 330.4 million deutsche marks in 1974, up from 197.5 million DM in 1973. The group balance sheet total was 78.7 billion DM, up from 66.4 DM. The dividend was set at 10 DM, compared with 9 DM in 1973.

Heinrich Ulrich, speaking for Deutsche Bank's board, said that operating profit, excluding securities, currency and precious metals trading, rose last year to 516 million DM from 231 million DM in 1973.

Profit from securities, currency and metals trading rose by 107 million DM to 309 million DM, he said, adding that last year's operating result was the best in the postwar period.

BASF Earnings Rise

LUDWIGSHAFEN, W. Germany, April 16 (AP-DJ).—BASF AG said today group net profit rose to 519 million DM last year from 514 million DM in 1973. Sales rose to 21.95 billion DM from 15.85 billion DM in 1973.

The chemicals producer said it is proposing to raise the dividend to 6.50 DM from 6 DM.

BASF also reported that it will propose to shareholders at the annual meeting on June 12 that voting rights of any single

shareholder be limited to about 3 per cent in the total votes attaching to the company's 1.64-billion-DM nominal capital.

A spokesman said the "precautionary measure" would ensure that BASF remains a public company. He said there are 400,000 shareholders, none of whom holds more than a 1-per-cent stake.

Inco Net Off 25%

TORONTO, April 16 (AP-DJ).—International Nickel Co. of Canada Ltd. (Inco) yesterday reported a 25-per-cent fall in first-quarter earnings. It blamed the decline on lower nickel deliveries that reflect current depressed economic conditions.

March quarter net profit fell to \$56.5 million, or 78 cents a share, from \$75.5 million, or \$1.01 a share, a year before. All figures were reported in U.S. dollars.

Sales rose to \$419.4 million from \$333.4 million, but some 27 per cent of this year's first-quarter sales came from ESB Inc., the Philadelphia-based electronic storage battery maker that Inco acquired last Aug. 1 without ESB's sales contribution. Inco's sales in the latest period were \$306.2 million.

Inco did not say how much ESB contributed to its first-quarter earnings, and a company spokesman said that the information was not immediately available.

Inco said that, in addition to

lower nickel deliveries, earnings were hurt by increased costs and expenses in the company's metal operations, lower copper prices and increased income tax rates.

First-quarter deliveries of nickel in all forms fell 25 per cent to 93 million pounds from 123 million pounds a year earlier.

Despite the sharply lower first-quarter earnings, Inco voted the regular quarterly dividend of 35 cents a share, payable June 2 to shareholders of record May 5.

Swedish Firms Report

STOCKHOLM, April 16 (Reuters).—Gross profit at Granges, the mining and metals concern, rose to 850 million crowns (\$212 million) last year from 590 million crowns in 1973, the company reported today.

Sales rose to 5.6 billion crowns from 4 billion crowns. In another report, Sandvik AG said pre-tax profit last year totaled 480 million crowns, up from 199 million crowns in 1973, on sales of 3.4 billion crowns versus 2.4 billion crowns.

The cemented carbide and special steels producer raised the dividend to 9 crowns from 7.

## Alien Funds Inflow Seen Strong in U.S.

### Money Likely to Aid Treasury Loan Needs

NEW YORK, April 16 (AP-DJ).—Foreign purchases of U.S. government securities climbed to an estimated \$6 billion in the first quarter of this year, a pace that is far outstripping earlier predictions.

The influx of foreign funds—coming principally from oil-producing nations—promises to help ease the Treasury Department's task of raising money to finance the huge budget deficit shaping up. One economist, David M. Jones of Aubrey G. Landon & Co., estimates the Treasury will be forced to raise \$80 billion in net new debt this year—a record.

Mr. Jones has predicted that foreign investors could provide roughly \$15 billion of these funds. He still sticks with this estimate, though he takes note of forecasts from others that foreign investors could pick up as much as a third to half of Treasury needs this year.

He believes that foreign buyers are likely to keep restricting their Treasury purchases to marketable obligations with maturities under two years.

Many of these lenders entered the market on a day-to-day basis last September, placing their funds through the Federal Reserve. In their first such placement, he says, they were able to get an 11-per-cent interest rate on their funds. Now, he points out, they get perhaps 5 per cent.

But they have stayed in these placements, riding the rate down, because their chief criteria for investments are safety and short-term maturity, with less emphasis on yield, Mr. Jones says.

## Special Trade Aides Appointed by Ford

WASHINGTON, April 16 (Reuters).—President Ford named William Walker and Clayton Frazier to become deputy special trade representatives.

Mr. Walker, director of the presidential personnel office since December, will take up his position in Geneva.

Mr. Frazier, assistant secretary of agriculture since 1973, will deal with domestic aspects of trade.

## Late Wall Street Rally Erases Early Losses

NEW YORK, April 16 (IHT).—A late rally erased early profit-taking losses on the New York Stock Exchange today, the Dow Jones industrial average finishing the session at 815.71, up 0.83 point.

The average had been down 7 points in early trading.

Advancing issues led decliners, which were ahead through most of the session, by about 715 to 655.

Volume totaled 22.97 million shares compared with 20.02 million shares yesterday. Trading was active in today's late recovery.

Analysts attributed early selling largely to profit-taking on a gain of more than 72 points in the Dow Jones industrial average in the second half of this year.

Xerox gained 1 1/2 to 73 3/4 after being delayed several hours in opening. The Federal Trade Commission said it toughened its previous consent agreement with Xerox.

Moore McCormack sank 5 1/4 points to 58 3/4 in active trading. Asked about the decline, the company said it had nothing to add to an earlier report on its Quebec mineral explorations. Analysts said the report itself was not negative, but they added there has been speculation about the exploration that might have been deflated by the report.

General Electric slipped 7 9 to 48. Dow Jones news service and the Wall Street Journal reported that analysts are finding that General Electric's profit problems in the recent quarter were even worse than the 39-per-cent decline in per-share net indicates.

Stanley Works was off 1 3/8 to 19 5/8. The company reported sharply lower first-quarter net from continuing operations.

G.D. Searle gained 2 3/4 to 24 3/8 on top of an advance of 1 1/2 points yesterday. The company formed a joint assessment team with General Foods to chart the possible large-scale marketing of Searle's artificial sweetener, Aspartame. General Foods closed at 24 3/4, up 1 1/4.

The American Stock Exchange index closed up 0.34 to 83.11.

Most active issue was Kaiser Industries, which rose 7/8 to 6 7/8 on volume of 175,500 shares.

On the over-the-counter mar-

ket the NASDAQ industrial average rose fell 0-18 to 89-36.

Corporate bonds moved as much as 1 1/2 point higher in improved activity, paced by rising interest in new issues.

The growing demand for new issues led to sell-outs today of both South Central Bell Telephone issues as well as the Williams Companies debentures.

Dealers said the South Central and Williams offerings were freed from syndicate trading restrictions late in the afternoon and began selling at premiums.

The South Central Bell debentures were trading at a 3 1/2-point premium over the par offering while the notes were quoted 1 1/2 point above par.

Williams notes were trading at par to a 1 1/2-point premium.

In Chicago, farm commodity futures closed mixed on the Board of Trade. New crop soybeans posted the biggest loss, 6 cents a bushel. Some old crop gains based on expectations of export business, totaled 3 cents.

## FTC Accepts New Accord With Xerox

WASHINGTON, April 16 (Reuters).—The Federal Trade Commission said today it has accepted a renegotiated consent order against Xerox Corp. requiring the company to license its entire office copier portfolio of more than 1,700 patents.

The new order also requires Xerox to make available all written know-how relating to office copier products.

A spokesman for the FTC said that the new order toughens a previous consent agreement announced on Nov. 15, 1974.

The order is now placed on the public record for 60 days for comment.

The agreement also requires that Xerox forgive all liability for past infringement owed to it.

Such an arrangement, the FTC spokesman said, would mean millions of dollars of savings by Xerox Corp.'s competitors.

These competitors might also license three patents from Xerox without being obliged to cross-license their patents to the corporation.

## Earnings Reports by U.S. Companies

Allegheny Ludlum	1973	1974
Quarter	1973	1974
Revenue (millions)	227.1	227.1
Profits (millions)	10.3	10.3
Per Share	1.63	1.61

Alle-Chalmers	1973	1974
Quarter	1973	1974
Revenue (millions)	258.9	258.9
Profits (millions)	7.5	7.5
Per Share	0.60	0.61

American Airlines	1973	1974
Quarter	1973	1974
Revenue (millions)	362.9	362.9
Profits (millions)	21.85	21.85

American Can	1973	1974
Quarter	1973	1974
Revenue (millions)	652.1	652.1
Profits (millions)	15.3	15.3
Per Share	0.82	0.85

Arco Community Devel.	1973	1974
Quarter	1973	1974
Revenue (millions)	9.5	10.8
Profits (millions)	3.0	3.0

Babcock & Wilcox	1973	1974
Quarter	1973	1974
Revenue (millions)	305.5	305.5
Profits (millions)	10.2	6.1
Per Share	0.84	0.87

Borden	1973	1974
Quarter	1973	1974
Revenue (millions)	785.0	785.0
Profits (millions)	18.8	17.29
Per Share	0.81	0.85

Boisjoly-Meyers	1973	1974
Quarter	1973	1974
Revenue (millions)	432.5	432.5
Profits (millions)	27.4	23.6
Per Share	0.85	0.73

Castle & Cooke	1973	1974
Quarter	1973	1974
Revenue (millions)	154.7	139.0
Profits (millions)	5.9	4.8
Per Share	0.38	0.39

Charter New York	1973	1974
Quarter	1973	1974
Revenue (millions)	811.8	811.8
Profits (millions)	81.9	81.9
Per Share	0.136	0.107

Chase Manhattan	1973	1974
Quarter	1973	1974
Revenue (millions)	862.3	862.3
Profits (millions)	80.0	80.0
Per Share	0.87	0.82

Cit Industries	1973	1974
Quarter	1973	1974
Revenue (millions)	390.6	390.6
Profits (millions)	16.5	11.2
Per Share	2.29	1.54

CPC International	1973	1974
Quarter	1973	1974
Revenue (millions)	648.8	648.8
Profits (millions)	20.1	16.5
Per Share	0.85	0.70

Mellon National	1973	1974
First Quarter	1973	1974
Revenue (millions)	117.8	117.8
Profits (millions)	4.8	5.0
Per Share	0.174	0.152

Union Camp	1973	1974
First Quarter	1973	1974
Revenue (millions)	184.1	184.1
Profits (millions)	18.7	18.1
Per Share	1.24	1.20

Union Bancorp.	1973	1974
First Quarter	1973	1974
Revenue (millions)	83.7	83.7
Profits (millions)	8.31	8.44
Per Share	0.33	0.32

Merrill Lynch	1973	1974
First Quarter	1973	1974
Revenue (millions)	268.1	268.1
Profits (millions)	33.4	33.4
Per Share	0.94	0.22

National Detroit	1973	1974
First Quarter	1973	1974
Revenue (millions)	13.5	13.5
Profits (millions)	2.7	1.90
Per Share	0.27	0.20

Philip Morris	1973	1974
First Quarter	1973	1974
Revenue (millions)	800.0	800.0
Profits (millions)	44.8	37.7
Per Share	0.78	0.69

Republic Steel	1973	1974
First Quarter	1973	1974
Revenue (millions)	873.4	873.4
Profits (millions)	37.3	21.5
Per Share	2.08	1.33

Time	1973	1974
First Quarter	1973	1974
Revenue (millions)	189.7	178.3
Profits (millions)	9.0	10.4
Per Share	0.80	1.01

Westinghouse Electric	1973	1974
First Quarter	1973	1974
Revenue (millions)	1,339.2	1,339.2
Profits (millions)	33.0	29.4
Per Share	0.33	0.23

Whirlpool	1973	1974
First Quarter	1973	1974
Revenue (millions)	287.0	287.0
Profits (millions)	2.7	8.2
Per Share	0.08	0.23

First National Boston	1973	1974
First Quarter	1973	1974
Revenue (millions)	15.0	13.1
Profits (millions)	1.34	1.08
Per Share	0.13	0.10

First Pennsylvania	1973	1974
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—1975—					—1975—					—1975—				
Stocks and	Stk.			Net	Stocks and	Stk.			Net	Stocks and	Stk.			Net
High. Low.	Div in 1	P/E	100s. High Low Last	chrg	High. Low.	Div in 1	P/E	100s. High Low Last	chrg	High. Low.	Div in 1	P/E	100s. High Low Last	chrg
20	41	200	200	200	20	41	200	200	200	20	41	200	200	200

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	High	Low	Last Ch
22 Southern A	5.77	5.14	5.13

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15 Woodwd A	\$ 22 1/4	22 1/4	22 1/4
00 Yk Bear	223	217	220
00 Yukon C	95	95	95

9200	Camp	5	13	12 1/2	12 3/4 + 1/2
9201	Cam A	8	18	18	-
75	Camp	5	13	18	- 1/2
360	Can Perm	8	17 1/2	17 1/2	- 1/2
2200	Can	5	13	13	- 1/2
2300	Cabney	5	13	13 1/4	- 1/2
1300	Can Ind	5	9 1/2	9 1/2	- 1/2
1400	Can Ind	5	9 1/2	9 1/2	- 1/2
1451	Can Ind	5	9 1/2	9 1/2	- 1/2
1452	Can Ind	5	9 1/2	9 1/2	- 1/2
1453	Can Ind	5	9 1/2	9 1/2	- 1/2
1454	Can Ind	5	9 1/2	9 1/2	- 1/2
1455	Can Ind	5	9 1/2	9 1/2	- 1/2
1456	Can Ind	5	9 1/2	9 1/2	- 1/2
1457	Can Ind	5	9 1/2	9 1/2	- 1/2
1458	Can Ind	5	9 1/2	9 1/2	- 1/2
1459	Can Ind	5	9 1/2	9 1/2	- 1/2
1460	Can Ind	5	9 1/2	9 1/2	- 1/2
1461	Can Ind	5	9 1/2	9 1/2	- 1/2
1462	Can Ind	5	9 1/2	9 1/2	- 1/2
1463	Can Ind	5	9 1/2	9 1/2	- 1/2
1464	Can Ind	5	9 1/2	9 1/2	- 1/2
1465	Can Ind	5	9 1/2	9 1/2	- 1/2
1466	Can Ind	5	9 1/2	9 1/2	- 1/2
1467	Can Ind	5	9 1/2	9 1/2	- 1/2
1468	Can Ind	5	9 1/2	9 1/2	- 1/2
1469	Can Ind	5	9 1/2	9 1/2	- 1/2
1470	Can Ind	5	9 1/2	9 1/2	- 1/2
1471	Can Ind	5	9 1/2	9 1/2	- 1/2
1472	Can Ind	5	9 1/2	9 1/2	- 1/2
1473	Can Ind	5	9 1/2	9 1/2	- 1/2
1474	Can Ind	5	9 1/2	9 1/2	- 1/2
1475	Can Ind	5	9 1/2	9 1/2	- 1/2
1476	Can Ind	5	9 1/2	9 1/2	- 1/2
1477	Can Ind	5	9 1/2	9 1/2	- 1/2
1478	Can Ind	5	9 1/2	9 1/2	- 1/2
1479	Can Ind	5	9 1/2	9 1/2	- 1/2
1480	Can Ind	5	9 1/2	9 1/2	- 1/2
1481	Can Ind	5	9 1/2	9 1/2	- 1/2
1482	Can Ind	5	9 1/2	9 1/2	- 1/2
1483	Can Ind	5	9 1/2	9 1/2	- 1/2
1484	Can Ind	5	9 1/2	9 1/2	- 1/2
1485	Can Ind	5	9 1/2	9 1/2	- 1/2
1486	Can Ind	5	9 1/2	9 1/2	- 1/2
1487	Can Ind	5	9 1/2	9 1/2	- 1/2
1488	Can Ind	5	9 1/2	9 1/2	- 1/2
1489	Can Ind	5	9 1/2	9 1/2	- 1/2
1490	Can Ind	5	9 1/2	9 1/2	- 1/2
1491	Can Ind	5	9 1/2	9 1/2	- 1/2
1492	Can Ind	5	9 1/2	9 1/2	- 1/2
1493	Can Ind	5	9 1/2	9 1/2	- 1/2
1494	Can Ind	5	9 1/2	9 1/2	- 1/2
1495	Can Ind	5	9 1/2	9 1/2	- 1/2
1496	Can Ind	5	9 1/2	9 1/2	- 1/2
1497	Can Ind	5	9 1/2	9 1/2	- 1/2
1498	Can Ind	5	9 1/2	9 1/2	- 1/2
1499	Can Ind	5	9 1/2	9 1/2	- 1/2
1500	Can Ind	5	9 1/2	9 1/2	- 1/2

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Selected Over-the-Counter Stocks									
Closing Prices April 16, 1975									
NEW YORK (AP) — The following list of selected securities dealers and the counter, bank, commission and industrial stocks.	Chl Brkds	83	94 1/4	Joyn M	60	Ask	Pearl SW	70	Ask
National Securities Dealers Assn. — the counter, bank, commission and industrial stocks.	Chl Brkds	114 1/4	197 1/2	KMS Ind	15	15 1/2	Petrol	19	70 1/2
	Chl Brkds	132	250	Karl III	31	31 1/4	Phillip L	11	11 1/4
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett A	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett B	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett C	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett D	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett E	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett F	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett G	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett H	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett I	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett J	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett K	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett L	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett M	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett N	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett O	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett P	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett Q	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett R	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett S	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett T	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett U	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett V	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett W	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett X	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett Y	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett Z	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AA	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AB	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AC	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AD	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AE	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AF	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AG	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AH	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AI	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AJ	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AK	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AL	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AM	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AN	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AO	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AP	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AQ	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AR	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AS	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AT	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AU	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AV	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AW	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AX	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AY	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett AZ	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BA	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BB	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BC	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BD	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BE	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BF	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BG	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BH	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BI	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BJ	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BK	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BL	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BM	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BN	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BO	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BP	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BQ	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BR	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BS	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BT	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BU	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BV	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BW	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BX	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BY	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett BZ	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett CA	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett CB	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett CC	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett CD	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett CE	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett CF	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett CG	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett CH	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett CI	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett CJ	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett CK	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett CL	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett CM	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett CN	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett CO	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett CP	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett CQ	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett CR	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett CS	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett CT	23 1/2	24 1/2
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	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett CX	23 1/2	24 1/2
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	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett DB	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett DC	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett DD	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett DE	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett DF	23 1/2	24 1/2
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	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett DL	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett DM	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett DN	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett DO	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett DP	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett DQ	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett DR	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett DS	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett DT	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett DU	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett DV	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett DW	23 1/2	24 1/2
	Citizens A	26 1/2	27	Karl III	31	31 1/4	Pinkett DX	23 1/2	24 1/2
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fell for the fifth consecutive month, dropping 350 million to seasonally-adjusted rate of 1.5 billion. This compares with decline of \$3.5 billion in 1997.

April 15	.....	326,612	556,896
April 14	.....	313,821	539,669
April 17	.....	296,176	412,971
April 10	.....	795,653	429,841
April 9	.....	210,052	352,791
April 8	.....	200,040	337,603

\*These totals are inclusive, to the figures.

1999	Apr	241.00	242.50	242.75	
994	Jun	453.50	452.00	452.75	
323	<b>LIVE BEEF CATTLE</b>				
891	Apr	42.15	42.50	41.01	
802	Jun	41.00	42.00	41.40	
745	Aug	39.75	40.10	38.50	
Res	Oct	38.10	38.10	37.70	
	Dec	38.85	38.10	37.60	
	Feb	38.10	38.10	37.60	

COCA		452	644
DO	thst		
42.27	42.60		
41.90	42.40	397	597
39.75	42.30	580	573
39.75	39.55		570
38.15	38.27		
38.05	38.30	496	

645-646	—	7 <sup>th</sup>	Cannell Ch	1 <sup>st</sup>
674-627	—	7 <sup>th</sup>	Corning H	1 <sup>st</sup>
570-573	—	3	Cao Swast	4 <sup>th</sup>
574-575	—	3	Caplan Air	3
576-571	—	3	Cao Tesc	3
578-571	—	4	Carrs Co	1 <sup>st</sup>
598-561	—	4	CanVt PS	10
		4	Chm Lda	8
			Chessa Uj	8 1/2

Ind Nucul	3%	4%	PecGo R
Intns Ind	1%	1%	PecGo
Intns G	1%	1%	Park Dr
Intns G	1%	1%	Park H
Intns Wch	3%	3%	Pecury P
Intns UI	22%	23%	Pecul MI
Jansky	10%	8%	Pe Enter
Jiffy Fds	2%	1%	Pezion B

23½	44	Well Gar	4½	5
1	144	Weibach	3½	4½
27½	21½	Westm	14½	2
2½	2½	Westm	67½	58½
3½		Wisc PL	16½	16½
11	11½	Wright L	19½	15½
12½	20½	Wright W	2½	3½
6½	6½	ZionU B	14½	15

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**gressive company**  
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French.  
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Publicities, CH-1211 Geneva 3,  
Switzerland.

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## Even Playoff Series

## Hucks Finally Defeat Canadiens

RE, April 16 (UPI).—Vancouver Canucks since they joined the hockey league suggest going to beat the Canadiens even once in their Stanley Cup.

## Collegians Routed Hockey

PORT, April 16 (AP).—Sweden scored three goals in the first period to beat the United States 3-0 today at the ice hockey championship.

Sweden's ninth straight loss came in a game in which the team was outplayed by the Americans. Sweden scored its 11th and 12th goals in the first period.

Sweden's fifth straight win came in a game in which the team was outplayed by the Americans. Sweden scored its 11th and 12th goals in the first period.

## U.S. Amateur Groups New Catalyst for Feud

RE, April 16 (UPI).—Collegiate Athletic Association has warned track and field coaches about the possibility of the organization if they participate in a trip to China next year.

The NCAA objection involves the definition of a national team. A specific article in its constitution denies eligibility to any athlete for competing as a member of any "outside team" during the intercollegiate season.

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## Russian Weightlifter's Best Feat Is Breaking Records

By Robert C. Toth.

W, April 16.—The world's strongest young man is still breaking records.

Heavier he is, the stronger he is. Within reach, eight means muscle and muscle means strength.

Heavier he is, the stronger he is. Within reach, eight means muscle and muscle means strength.

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Beaten, 3-2, on Sunday in the opener of the best-of-seven series, they made reservations the next day to return to Montreal for the fifth game next week.

Last night, the Canadiens evened the series in Montreal at a game played by beating the Canadiens, 2-1, for the first time in 28 games since entering the NHL. Garry Monahan scored the winning goal with 6 minutes 14 seconds to play.

Monahan was expected to be the only pre-1986 team to qualify for the Stanley Cup semifinals. Post-1986 expansion teams lead all the other series, 2-0, after these results last night: Buffalo 3, Chicago 1; Philadelphia 3, Toronto 0; and Pittsburgh 3, New York Islanders 1.

In 28 previous games between the teams, Montreal had won 25 and tied three.

Scotty Bowman, the Canadiens' coach, wasn't too concerned about the loss.

"I guess the law of averages catches up to you at one time and I figured they were going to beat us sooner or later," he said.

Sabres 3, Black Hawks 1. At Buffalo, N.Y., Rick Dudley scored two goals in the first period to snap a 1-1 tie and lead Buffalo to its second straight victory over Chicago. Dudley took a pass from Jim Lorenz and scored on an 18-footer at 9:59 to put Buffalo ahead.

At Pittsburgh, Lowell MacDonald scored two goals and Jean Pronovost one for Pittsburgh, which fired 47 shots at New York goaltender Billy Smith. Smith stopped 31 shots in the first period before allowing the first two Penguin goals in the second.

At Philadelphia, the defending Stanley Cup champions got two goals from Terry Crisp and a strong defense that limited Toronto to 13 shots on goal. Two of the 13 saves by Flyers goalie Bernie Parent were outstanding, however.

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NET POSSESSION—Julius Erving of the New York Nets grabs the rebound as Spirits' Marvin Barnes watches.

## Nets Are Eliminated From Defending Their ABA Crown

By Gerald Eskenazi

UNIONDALE, N.Y., April 16 (UPI).—The New York Nets, who had won the ABA championship last year, were eliminated from defending their title today.

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## WFL Tries to Lure Namath With Money

By Gerald Eskenazi

NEW YORK, April 16 (UPI).—The World Football League, which wound up its first season last year almost \$10 million in debt, has offered Joe Namath a long-term \$4-million contract to join the Chicago entry for the 1975 season.

The offer, which was made by the league's president, is a significant move to lure Namath, who was a star player for the New York Jets in the NFL.

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## England Is Victor With MacDonald Scoring 5 Goals

By Gerald Eskenazi

WEMBLEY, England, April 16 (AP).—Malcolm MacDonald set an all-time English record by scoring five goals tonight as England routed Cyprus, 5-0, in a European Nations Cup soccer game.

The victory was a significant one for England, who were looking to improve their standing in the tournament.

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## Dodgers' Sutton Tops Reds on 1 Hit Pitcher Wins 14th Straight

By Gerald Eskenazi

LOS ANGELES, April 16.—It didn't take long for the Los Angeles Dodgers to catch up with the Cincinnati Reds—thanks to Don Sutton's one-hitter last night.

The Reds swept their three-game season-opening series with the Dodgers in Cincinnati last week and hoped to take a firm grip on the National League's Western Division race in their current four-game set with the defending champions here.

But the Dodgers won Monday night and came back last night to beat the Reds, 3-1. So after eight games, the teams have 4-4 records.

Sutton's victory gave him 11 straight in regular season competition and 14 straight counting playoffs and World Series.

"I wasn't disappointed in failing to get the no-hitter," said Sutton, who has pitched four one-hitters and six two-hitters during his major league career. "The game meant a win over the Reds and not just a no-hitter."

A 19-game winner last season, Sutton carried his no-hitter for 6 2-3 innings before Johnny Bench homered for the Reds. Sutton struck out eight and walked one.

At Atlanta, Darrell Evans hit his third home run of the season and knocked in three runs in a 6-1 victory by the Braves over Houston. Phil Niekro, pitching in his team's home opener, allowed baserunners in eight of the nine innings but went the distance to even his record at 1-1.

Evans smacked a two-run home run in the first inning after Ralph Garr walked. He also had an RBI in the third when he was hit by a pitch by starter and Jose J. Rijo. Evans had the bases loaded. Davey Johnson drove in three runs with a two-run single in the third-inning and a sacrifice fly in the fifth.

At San Francisco, Willie McCovey's bases-loaded single in the eighth inning broke a tie and gave San Diego a 2-1 triumph over the Giants. McCovey's hit came off rookie Gary Lavelle, who replaced starter Mike Caldwell after he gave up a run on an error, a walk to Enzo Hernandez and a single by Bobby Tolan.

Caldwell then hit John Grubb with a pitch to load the bases and was replaced by Lavelle. McCovey then singled.

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Boos were also forthcoming in the eighth when Aaron, the home-run king, was given an intentional walk. The fans had craved a 40-degree weather to see the all-time slugger swing for his first American League homer. Jim Palmer bested Aaron in his three previous at-bats, and Aaron now 2-for-19 with his new team.

It was Baltimore's Palmer matching the Brewers' Billy Chambliss almost pitch for pitch through seven innings. But in the eighth, with one out, Pedro Garcia doubled and teen-ager Robin Yount chased him home with a single. That untied the score and then the Orioles' fielders went into their circus act.

First left fielder, Davey Johnson, hit a fly. Then first baseman Lee May committed a two-base throwing error when he tried for a force play at second base. A run scored and with Aaron on second and third, Aaron was walked intentionally. Next came a double play ground-

When I struck out Joe Morgan for the second out of the seventh inning, I thought I might get my no-hitter," said Sutton. "Then, boom, my next pitch Benches hits out."

The Reds swept their three-game season-opening series with the Dodgers in Cincinnati last week and hoped to take a firm grip on the National League's Western Division race in their current four-game set with the defending champions here.

But the Dodgers won Monday night and came back last night to beat the Reds, 3-1. So after eight games, the teams have 4-4 records.

Sutton's victory gave him 11 straight in regular season competition and 14 straight counting playoffs and World Series.

"I wasn't disappointed in failing to get the no-hitter," said Sutton, who has pitched four one-hitters and six two-hitters during his major league career. "The game meant a win over the Reds and not just a no-hitter."

A 19-game winner last season, Sutton carried his no-hitter for 6 2-3 innings before Johnny Bench homered for the Reds. Sutton struck out eight and walked one.

At Atlanta, Darrell Evans hit his third home run of the season and knocked in three runs in a 6-1 victory by the Braves over Houston. Phil Niekro, pitching in his team's home opener, allowed baserunners in eight of the nine innings but went the distance to even his record at 1-1.

Evans smacked a two-run home run in the first inning after Ralph Garr walked. He also had an RBI in the third when he was hit by a pitch by starter and Jose J. Rijo. Evans had the bases loaded. Davey Johnson drove in three runs with a two-run single in the third-inning and a sacrifice fly in the fifth.

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Don Sutton ... strong start.

er to shortstop Mark Belanger, who muffed the ball. The third run of the inning was in. And two more walked on a try for a double play. Pitch-runner Booby Mitchell raced home from second base as May held the ball after taking a too-early relay from second base.

Royals 4, A's 3. At Kansas City, George Brett lofted a run-scoring double along the leftfield line in the ninth inning, sparking the Royals to a 4-3 victory over Oakland. Fitzmorris, 2-0, scattered seven hits for the victory.

## Wednesday

## Red Sox Homers

## Send the Yanks

## To Another Loss

NEW YORK, April 16 (UPI).—Rockie Lymon matched his previous major-league output with two home runs and Carl Yastrzemski added a two-run homer to power the Boston Red Sox to a 4-2 victory over the New York Yankees today.

Lynn, a two-time All-American at the University of Southern California, who joined the Red Sox for 15 games at the end of last season, led off the third inning with his first home run of the year, off Roger Clemens, and then led off the fifth with a homer off reliever Gary Gura.

Rangers 14, White Sox 4. At Chicago, rookie leftfielder Jim Umberger, taking over from starter Tim Lincecum, hit one out in the first inning, shut out the Chicago White Sox on five hits for 7 2-3 innings to pitch Texas to a 14-4 triumph for his first major league victory. Umberger, a starter at Arizona State in college, walked only two and struck out one. The White Sox got to Bobby for two walks, a single and an error and Carlos May's three-run triple for all their runs before Umberger's last out. Jim Merritt hurled his last inning.

Jeff Burroughs rapped a two-run homer off knuckleballer Wilbur Wood to start the Rangers to a five-run third inning which put them in front at five.

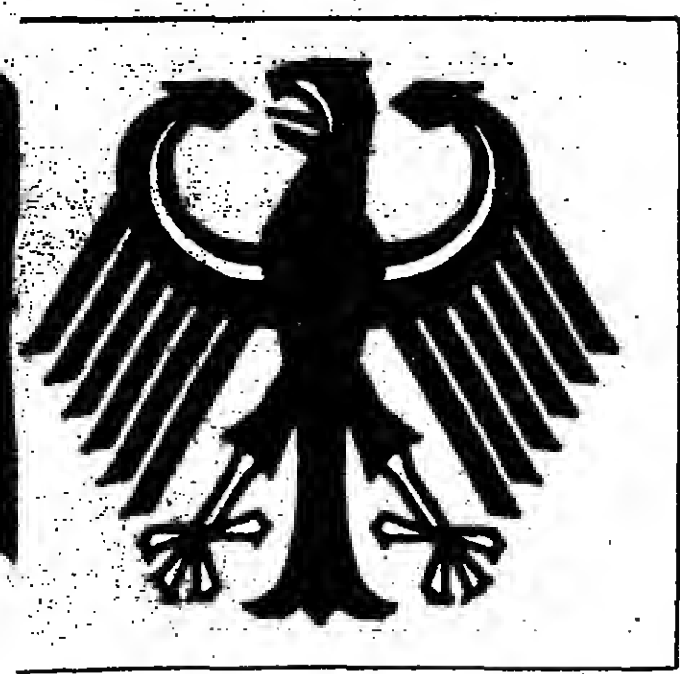
Twins 14, Angels 4. At Bloomington, Minn., Bobby Darwin, Craig Kusick and Larry Hise doubled in two runs each to power Minnesota to a 10-4 victory over California, breaking a five-game Twins' losing streak. Bert Blyleven scattered 10 hits in posting his second victory without a loss.

## CLASSIFIED









# FOCUS ON WEST GERMANY, 1975

## Banking Reform After Herstatt

By William Castle

COLOGNE (IPT)—Almost one year ago, on April 22, 1974, journalists sitting around a boardroom table at the Cologne headquarters of Bankhaus F.D. Herstatt heard a glowing report on the bank's recently concluded year.

A genial and apparently relaxed Ivan D. Herstatt, managing partner, told them that net profit for 1973 had risen 39 per cent to 10.08 million marks. He singled out foreign exchange dealings as an area that produced "gratifying earnings."

Two months later, on June 26, the true Herstatt picture emerged shattering when the bank collapsed after estimated losses of 500 million marks in foreign exchange transactions. The German government and banking community have been picking up the pieces ever since, seeking to restore the domestic and international trust without which no system of credit institutions can operate.

What apparently is emerging is a stronger system, embodying sharpened supervision, wider protection for depositors and increased ability to nip crises in the bud. In the words of Westdeutsche Landesbank Girozentrale chairman Ludwig Poulain, "The grass has begun to grow over Herstatt."

### Problems Remain

Nonetheless, problems remain. Several reforms suggested in the wake of the Herstatt collapse haven't yet been put into effect. And some long-simmering difficulties, pre-dating Herstatt's demise, remain unsolved. These include the continuing financial difficulties of Hessische Landesbank Girozentrale, the nation's seventh largest bank, and criticism of the power and scope of the big universal banks.

Main reforms to date are the establishment on Sept. 12 of a crisis-control unit for aiding banks with temporary cash problems and the introduction effective Oct. 4 of strict controls on foreign exchange dealings.

The crisis-control body, known officially as "Liquiditäts-Kontrollbank GmbH" is a joint venture of Deutsche Bundesbank and organizations representing private-sector banks, publicly owned savings banks and their central giro organizations, credit cooperatives, installment credit institutions, and the trade union-owned Bank fuer Gemeinwirtschaft.

Purpose of the bank, which has assets of 1 billion marks, is to

(Continued on Page 27 b)

## Germany's Top Twenty Industrial Companies

RANK		FIRM		FIELD	SALES '74	'73
1	1	Veba/Gelsenberg	Energy, Chemicals	Petroleum	24.0	19.0
2	2	Thyssen/Rhein Stahl	Steel, Machinery		22.8	17.2
3	4	BASF	Chemicals		21.9	16.0
4	7	Hoechst	Chemicals		19.7	15.3
5	9	Bayer	Chemicals		18.6	13.9
6	5	Siemens	Electrical machinery		17.2	15.5
7	3	Volkswagen-werke	Automobiles		17.1	17.0
8	6	Daimler-Benz	Automobiles		16.9	15.5
9	10	Mannesmann	Steel, Machinery		13.1	9.9
10	8	AG-Telefunken	Electrical equipment		12.2	11.9
11	12	Ruhrkohle	Mining		11.5	8.4
12	11	Guthrie-Hungarische	Machinery, Trucks		10.6	8.8
13	17	Deutsche Shell	Petroleum		10.2	7.1
14	15	Esso	Petroleum		10.1	7.7
15	14	Rosch-Hoogoven	Steel		10.0	7.8
16	13	RWE	Energy		9.3	7.8
17	16	Krupp-Kern	Steel Plant construction		9.2	7.7
18	18	Flick-Gruppe	Chemicals, Paper, Steel		8.0	8.7
19	24	Sabagitter	Steel, Shipbuilding		7.3	5.4
20	19	Bosch	Electrical equipment		7.0	5.5

\*Estimated

RANK GEORG MÜLLER  
DIE WELT

## The Auto-Makers Are Gloomy, but...

FRANKFURT (IPT)—The German auto manufacturing industry, battered by severe sales drops in 1974, is beginning to see a chink in the gloom in the form of a gentle quickening of the domestic market, though exports are very weak.

Domestic car and station-wagon registrations, including imports, gained 23.5 per cent in February to 153,836 units from 123,652 a year earlier.

As manufacturers canceled previously scheduled production cuts and in some cases added extra shifts to cope with increased demand, the number of workers on temporary layoff declined to 162,000 persons from 197,000 in January.

The IPO economic research institute in Munich foresees double-digit increases in domestic passenger vehicle sales continuing this year. Nonetheless, neither IPO nor the Verband der Auto-

mobilität (VDA), the manufacturers' association, foresees any significant increase in total production this year because the export market is lagging badly.

February exports at 111,131 units were down 43.7 per cent from the like year-earlier period. Industry figures for 1974 make gloomy reading, the lone exception among major manufacturers being Daimler-Benz AG. "Total passenger and commercial vehicle output in Germany dropped to 3,999,777 units from 3,949,085 in 1973. The 21.5-per-cent drop was the largest among auto industries of the major Western industrialized nations. The United States had a 20-per-cent drop, followed by declines of 11 per cent for Great Britain, 8 per cent for Italy, 7 per cent for Japan, 5 per cent for Sweden and 4 per cent for France.

## An Interview With Emminger

Otmar Emminger, deputy governor of the West German central bank, is the nation's leading monetary expert.

In the Frankfurt headquarters of the Bundesbank last month, Dr. Emminger discussed the current situation with IHT finance editor Carl Gewirtz.

Carl Gewirtz—West Germany's success in maintaining record-high trade surpluses appears to be unaffected by the repeated revaluations of the Deutsche mark and is barely showing signs of being affected by the worldwide recession. What could or should Germany be doing to maintain a better balance in its international accounts?

Otmar Emminger—It is true

that the appreciation of the D-mark over the past few years has not prevented West Germany from attaining very high trade surpluses. However, the economic slowdown or recession in a number of major countries has already significantly affected German exports, and in January and February 1975 our trade surplus was already lower than during the same months a year ago.

Q—Why has the appreciation of the D-mark not diminished the trade surplus?

A—First, the average appreciation of the D-mark in relation to all other currencies was not nearly as strong as the bilateral appreciation vis-à-vis the dollar. In the two years since major currencies began floating, i.e., from

(Continued on Page 25 b)



Otmar Emminger

### Cars and Trucks

Passenger vehicle output dropped 22.2 per cent to 2,839,596 units from 3,649,880 in 1973 while commercial unit production (trucks, buses and truck tractors) slipped 13 per cent to 360,181 from 299,188. The commercial vehicle weakness was largely confined to smaller vehicles of 6 tons and under, which had a drop of 16.8 per cent. Trucks above 6 tons managed a 15-per-cent gain.

Both the export and domestic markets were weak. Total export output dropped 19.9 per cent, only slightly below the overall figure, though trucks of over 6 tons rose 40.6 per cent.

Hardest hit among the biggest manufacturers in production terms were Fordwerke AG, with a 37.4-per-cent drop, Audi-NSU Auto Union (a Volkswagenwerk subsidiary), down 35 per cent, Adam Opel AG, down 33.2 per cent.

(Continued on Page 26 b)

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  - RHEIN STAHL HANDEL UND VERKEHR GMBH



## A Personality

## Despite His Job, Finance Minister Apel Is a Popular Politician

By Uwe Simon-Netto

BONN (HET)—The man to watch in West Germany is an earthy, plain-talking politician who holds the nation's troubled purse-strings. He is Finance Minister Hans Apel, 43, the youngest and probably most popular member of Chancellor Helmut Schmidt's Cabinet.

To many observers of the Bonn political scene the quick-witted Social Democrat, whose rabbit-like smile regularly charms the country's television viewers, seems destined to head a future government. Mr. Apel himself is not so sure.

"We won't become chancellor, shall we, Ingrid?" he recently promised his slender wife, whom he had met in the Protestant Youth Movement when they were in their teens. "There are limits to the strains one can inflict upon one's family," he said. "In fact," he added, "if my wife and my two daughters should ever need my undivided attention, I wouldn't hesitate for one moment giving up my position in government. They are infinitely more important to me than my political career."

It is the German workers, the best-paid in Europe, whom Mr. Apel credits most of all with his nation's continuing economic health and the staggering currency reserves of 90 billion marks, the world's highest. (These reserves don't help him with his budget, though, since they are in the vaults of the Bundesbank, West Germany's autonomous central bank, over which the government has no authority).

"Thanks to peaceful labor relations," says Mr. Apel, "we lose considerably fewer man-hours to strikes than any other major industrialized country in the West. France loses three times, the United States six times, Britain nine and Italy 17 times as many man-hours as Germany."

This he claims is one important reason why German products, although expensive, are in such demand. "They are of high quality and can be delivered on schedule, which makes them competitive."

He feels that his present job is not an ideal springboard into the chancellery, although it had been for Helmut Schmidt, his predecessor in the Finance Min-

istry. Says Mr. Apel, "Finance ministers are bound to make more enemies than any of their colleagues in the Cabinet. My current popularity must wane as I try to take unpopular measures in the months to come to solve our fiscal problems."

Such measures will be unavoidable considering the 55-billion-mark deficit in the budgets of federal, state and local governments in West Germany.

But Mr. Apel has already shown a remarkable ability to recover from a setback. Early this year he had come under heavy fire from both the opposition and fellow Social Democrats for flaws in a costly tax reform he rammed through Parliament.

The law, which deprives the government of 14 billion marks a year in revenues, promised considerable savings to lower and middle-income groups. But when it came into effect, on Jan. 1, 1975, it unpleasantly surprised those four million married couples, where both husband and wife work. Their taxes have actually been increased.

There was a brief, nation-wide uproar, and a dazed Hans Apel went on television, admitting: "I feel as if a horse had kicked me. Now I look like the dope who fouled up." But soon, it seems, the Germans began to absorb Mr. Apel from any guilt. After all, the tax reform had been drawn up while Helmut Schmidt was still finance minister and Hans Apel a parliamentary secretary of state (junior minister) in the Foreign Office.

Moreover, the majority of those German employees, whose husbands or wives did not work, were now better off.

It took only a few witty remarks by Mr. Apel on TV to make him, in the eyes of the public, once again the honest and jolly member of a somewhat dour circle of government leaders.

It is an image, however, that only partially reflects Hans Apel's personality. To be sure, he loves to sing, laugh and play the clown. Before he became finance minister, last year, he used to sneak off with his wife to whirl her around the dance floors of the Reeperbahn, Hamburg's night-club alley. And even now he takes her to as

many balls as his time permits.

But it is also true that there is nothing frivolous about him. He finishes when a pretty stewardess offers him a drink, and public appearances tend to give him stage fright, noticeable to all because the corners of his mouth twitch nervously.

In fact, Hans Apel is quite puritanical. Though he doesn't mind the occasional schnapps, he despises the "dreadful boozing" practiced in Bonn. He once suggested "political yogurt parties" instead.

And although he is separated from his wife for most of the week, as she prefers to remain with her children in Hamburg, where he lives, his friends could never imagine him womanizing, an activity not uncommon among German politicians bored with the staid little capital on the Rhine.

For all his pertness, Mr. Apel is deeply religious. He has a tendency to lace his colorful oratory almost as often with Christian quotations as with his earthy, sometimes crude asides.

"In troubled times," he says, "I find comfort in quoting to myself a wonderful remark by Martin Luther: And if I knew that the end of the world were to come tomorrow, I'd still plant my apple tree today."

## The Origins

"Regular prayers are my greatest source of strength," he said, but not the sermons of clergymen. "Many pastors remind me of those leftist ideologues in our party with their dismal habit of preaching the faithful out of the church."

It was Christian pacifism, rather than Marxist ideology, that made him become a Social Democrat in the first place, Hans Apel contends. This is not at all unusual. Kurt Schumacher, the SPD's celebrated post-war leader, used to say that it didn't matter whether people joined the party after reading "Das Kapital" or the Sermon on the Mount.

In Mr. Apel's case it all started when his father, also named Hans, returned from World War II full of horrifying tales about his experiences at Stalingrad. "They had turned Dad, who used to be a little Nazi, into a devout Lutheran."

It is the worker, the best-paid in Europe, whom

Mr. Apel credits most of all with his nation's continuing economic health and the staggering economic reserves of 90 billion marks, the world's highest.

"Night after night we'd lie in our bedroom—my mother had died after a long illness—and talk about it all. We convinced ourselves that, because of the swinish things we Germans had done to the Jews, God had punished our nation with destruction and division," the younger Apel said.

His father was a simple salesman, born and raised in Hamburg's rough, working-class district of Barmbek. He had no idea how to handle money, so his son then barely 14, kept their meager finances together. "Every Friday he'd hand over his wages to me. I'd give him some pocket money, shop, cook, clean the house and get coal for us, in addition to going to school."

"But I owe him a lot, most of all my basic convictions," said the younger Apel. In protest against the late Chancellor Konrad Adenauer's rearmament policy his father had become an ardent supporter of the small, pacifist "All German People's Party" founded by Gustav Heinemann, who later became president of the Federal Republic.

"One evening," the minister recalls, "father took me to one of their meetings. I told him that they were all decent, upright fellows but didn't amount to anything. If one wanted to move things one would have to work within the Social Democratic party. This I did. He thought it was awful and predicted that if the Russians came they'd send all of us to Siberia."

This thought didn't frighten Hans but Ingrid, his fiancée, whose widowed mother had married Apel senior, stayed out of the party for the time being. "I figured that we'd have children, so both of us couldn't possibly risk being sent to Siberia," she said.

But Hans Apel joined the SPD and climbed the ranks rapidly. Six weeks after becoming a member, in 1955, the Hamburg

chapter of the party's youth branch elected him secretary and paid him a monthly salary of 200 marks.

With this and the money he had saved working in an import-export business Hans Apel paid his way through university. He studied economics under Prof. Karl Schiller, who had also been Chancellor Schmidt's teacher and who became, in the early years of the social-liberal coalition government, its celebrated minister of economics and finance.

Not that Hans Apel intended a party career. He wanted to get his PhD and with that a lucrative job in industry. A "Herr Doktor" he became, but not an executive in private enterprise. The SPD became increasingly interested in him, because he had two qualities that almost predestined him to a successful life in politics. One was his gift of speaking, the other an almost fanatical sense of duty.

"If you open your trap," he muses, "and something clever comes out of it, others will tell you to do it or do that. And then you do it well, so they ask for more, and so it goes."

## Strasbourg

And so it went. Already in 1958 the party elders sent the young Mr. Apel down to Strasbourg to become, as an international civil servant, secretary of the Socialist group of deputies in the Council of Europe. Three years later he joined the administration of the European Parliament as head of its department of economics, finances and transport.

In 1965 he was elected into the Bundestag where he soon became the Social Democratic whip and chairman of the German lower house's transport, posts and communications committee. Next, the then Chancellor Willy Brandt made a reluctant Hans Apel the German equivalent of a U.S. under secretary of state.



Hans Apel

His field was European affairs, and he felt that he had to talk tough with those other Europeans whom he suspected of using wealthy West Germany as their milking cow. This he did so harshly that the exasperated French labeled him with a nasty old nickname for the Germans, "le boche." Hans Apel shrugged this off with amusement. "I have never denied," he said then, "that I still have some rough edges."

Those rough edges are just fine on someone whose misfortunes make him finance minister at times of crisis. Thus thought Helmut Schmidt, himself not the smoothest, when he gave up this office, last spring, to become chancellor after Mr. Brandt's resignation. He made Mr. Apel his successor, but for once the young politician from Hamburg tried to argue with his superior.

Schmidt wouldn't have it. "Listen, friend," he said, "you'll do as you are told. This is an order. Dismissed!"

The job goes against Mr. Apel's grain. "I am a stingy fellow," he admits, and therefore

it doesn't seem right to him that he, of all people, should be forced to spend billions more than he has in the bill.

At home he doesn't even have a dishwasher, because it would be an unnecessary expense. He makes do with a rusty, old Peugeot, which he drives himself when he is in Hamburg. He buys his somewhat baggy suits off the peg, preferably at a sale. And his wife has to content herself with 1,700 marks housekeeping money a month out of his salary of over 11,000.

The only luxuries he permits himself and his family are a small holiday apartment at the Baltic resort of Heligenhafen and a yawl on which the Apels spend most of their summer vacations, weather permitting.

"Being finance minister gives me the shakes," says spendthrift Hans Apel. This is not only because of the huge deficit in the federal government's budget, but also "because of my inability to delegate work." He attributes this to the fact that all his life he had to do everything by himself, and now he finds it difficult to even let others write his speeches.

So he is up at 7:30 in the morning and rarely ever gets out of his office before 10 p.m. He doesn't waste time or money in expensive restaurants, but takes his lunch at the ministry's cafeteria. "At night I whip up a snack for myself and then sink into my bed. And then I toss and turn for hours worrying about those billions I don't have."

## Support

Weekends at home in Hamburg with his wife and his two blonde daughters, Ingrid, 14, and Hanne, 10, are just about his only compensation for his long hours in Bonn. But even then he can't relax totally, for he must take care of his constituency, being like all German ministers a member of parliament as well.

There is probably no cabinet member in Bonn with as much grassroots support as Hans Apel's. This is doubtless part of his strength, but it also requires that he constantly cultivate the little people at the district and county levels, back home in Hamburg.

Not that he minds at least two of their meet- Saturday or Sunday, their company," he is are of my own wor background. I'm at c them."

The minister, who highly polished English very cultured French, stress his proletarian proudly tells people that brought up in a neighb rough that before Worl landlords had to coll rents at gunpoint.

He also says that he in common with the dockworkers than vi doctors, architects, an captains who are now l bore. Though he chats over the garden fence, developed their friend: Unlike Helmut Schu had also been raised in Hamburg. He does not pe enjoy socializing with l ets or bankers. He st about a meeting with a them, some years ago they were all in nea made suits. And I as them in trousers so w had to tie them at the also laces to prevent t slipping."

Mr. Apel prefers to t those proud and politica Hamburg longshorem shipyard workers. He them in "plutokratisch," ped local dialect that know the difference bet formal "Sie" and the "Du." And they tell h they feel that he is on t track. "Listen, Hans," one whispered into his ear tried to explain to a l dock workers the Socie drastic concept of the q life. "Drop the subject, of life to us means a ex a washing machine for and color TV for the fa the rest is for the eggh The minister's good with the workers is not to their mutual backgro also to his informality. "To us it is refreshing," Hamburg trade unionist, this country, where pon often hides intellectu ity, there is one ungr leader whose intellectua not even his detractors

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## An Interview

## A Landesbank Chairman Talks of Bank's Changing Role

By William Castle

DUESSELDORF (IHT).—Ludwig Poullain is management board chairman of Westdeutsche Landesbank Girozentrale, Duesseidort and Muenster (WestLB), a universal credit institution that is the largest public sector bank and third largest bank of any kind in Germany.

He played a key role in bringing about a negotiated settlement of creditor claims against Bankhaus I.D. Herstatt, thus avoiding a bankruptcy proceeding that could have lasted for years, although Westdeutsche had no current business outstanding with Herstatt.

In these interview excerpts, Poullain discusses the role of the Landesbanks, the Herstatt case and German banking in general.

William Castle—The Landesbanks have diversified widely from their original role as giro centers, banks for the German Laender (states) and liquidity repositories for the savings banks. Can you describe and explain this process?

Ludwig Poullain—If you say that the Landesbanks had this role, I would say you were correct until after the last war. But after the 1948 currency reform some individual Landesbanks had already begun to diversify their business and as the first step in their modernization had entered the industrial credit business. I believe the decisive step was the fusion of the Duesseidort and Muenster banks that led to creation of the Westdeutsche Landesbank in 1969. This institute then had a size—not only in volume but also in terms of connections to customers—that made it necessary to go into new areas.

There was another decisive development. There was a discussion in Germany on the political level about the role of the banks. This ended in 1968 with the government concluding that the Landesbanks and savings banks had a duty to produce competition to areas where the big three banks had a monopoly position and to produce alternatives for customers, mostly in large credits.

The Landesbanks' diversification also was necessary because of restrictions on the size of credits granted by the savings banks and the prohibition against their buying shares in industry or conducting foreign business. It fell to the Landesbanks, which in part belong to the savings banks, to complement the partly restricted services of the savings banks.

Q—Can a public sector bank take greater risks than a private bank because the former faces no danger of collapse?

A—I believe a public sector bank should follow exactly the same principles as a private bank. It certainly shouldn't take any greater risks; rather it should be more careful. But if a public sector bank is to make competition, and in all areas, it can't stay out of areas that require a willingness to take some risk, for example, the foreign market.

Admittedly, the public sector banks may have had to undergo some learning processes because we didn't have so large a reservoir of experienced personnel, but I believe this leap has now been accomplished. This statement



Ludwig Poullain

isn't contradicted by the Hesseische Landesbank case any more than Herstatt indicates the structure of the private banks.

Q—Westdeutsche Landesbank played a large part in avoiding a lengthy bankruptcy proceeding in the Herstatt case. Can you describe and explain your efforts in the Herstatt case?

A—We spoke of the public sector and private banks. Herstatt is to be classified unambiguously as a private bank. I was affected by the Herstatt closing (on Wednesday, June 26, 1974) because I thought I recognized that this was a case that would

*'I and my colleague from Deutsche Bank, Mr. Christians, were clear from the outset that a bankruptcy proceeding in the Herstatt case could have disastrous consequences. You have already seen the foreign consequences. The further consequences were more of a domestic political nature. They could have threatened the socio-political structure of our economic order; or at least involved it. Savers also were involved and we wanted to avoid a years-long process that would have prolonged their uncertainty and doubtless left them with a smaller return than would be a normal negotiated settlement.'*

*You have already seen the form of the solution.*

not only affect the private banks but the whole West German credit business. Secondly, the bank was involved because we heard shortly after the Herstatt collapse that a further bank, Gerling Global Bank (part of the Cologne-based business group of Hans Gerling, chief stockholder in Herstatt), had closed temporarily because of publicity surrounding the Herstatt case and wouldn't be able to reopen Monday morning unless it received a credit line of 150 million marks. This would have led to loss of their license. Some not entirely undramatic negotiations led to the result that we placed the 150 million marks at the bank's disposal Saturday afternoon.

Deutsche Bank, (management board member Friedrich W. Christians, were aware from the outset that a bankruptcy proceeding in the Herstatt case could have disastrous consequences. You have already seen the foreign consequences. The further consequences were more of a domestic political nature. They could have threatened the socio-political structure of our economic order, or at least involved it. Savers also were involved, and we wanted to avoid a years-long process that would have prolonged their uncertainty and doubtless left them with a smaller return than would be a normal negotiated settlement.

You have already seen the form of the solution. It involved

the purchase of 51 per cent of the Gerling insurance group by a German industry consortium and the Zurich Versicherungs-Gesellschaft and a banking guarantee for another 100 million marks. This was for me a phenomenal cooperation of the free forces of the economy.

Q—Would it have been better if the banks and Deutsche Bundesbank had prevented the collapse in the first place?

A—I believe one can formulate the answer to that very easily. If one had known, from the experience of today, that the losses at that time were 500 million marks and couldn't have exceeded that, the collapse definitely would have been prevented. The collapse wasn't prevented, and couldn't have been prevented, because no one—neither Herr Gerling, his colleagues nor Herr Herstatt—could guarantee that the loss was only 500 million marks and not far above that. The bank was in such a desolate condition that no one knew how high the loss was. That was the reason.

Q—Does foreign mistrust of German banks still persist because of the Herstatt case?

A—I would say it has declined very much. One cannot prevent resentments here and there. In our own foreign contacts we find that no after-effects persist. One should make distinctions here. At first foreigners said, "The whole German credit industry is a pigsty, a mess. One can't do business with them." After a few days and weeks of reflection, it was said, "Well, it was one bank, not all." Then bankers began to view the situation more precisely and to ask with whom one could deal. Where was it safe? Where was business conducted seriously? In that moment, things began to function again.

Here I must say that we ourselves haven't seen any dis-

tractions. The sector that was affected was the small private banks, persistently and even today. Not because they aren't serious but simply because their size gives the outward appearance of structural weakness.

Q—Have government restrictions on open positions in foreign exchange trading reduced the dangers in this area of business?

A—They have reduced it to the extent that any restriction, any law can. I would say that the restrictions are sensible enough to allow a bank to do all that's necessary for the interests of its clients and something for its own. If a case involves criminal activity, then the law can easily be over-challenged. But if one sticks to the rules, there is a very powerful reduction of risk.

Q—Naturally, risks have increased because of the floating exchange rate system. Has floating been a success or must it be replaced with some other system?

A—If we measure the success of floating against losses or risks in foreign exchange trade, then it is true that life was simpler and safer under the fixed exchange rate system. But that's not the point. The point is whether floating is right for the economy, and I personally have no doubt it is. Where would we stand today if we had fixed exchange rates? I don't want to quarrel over whether the current deutsche mark-dollar rate should be 2.50. But let us assume it is. If we had fixed rates, the relationship would in any case not be under 3 marks, and that would have severe consequences for the economy. We would have imported more and more goods and distorted the structure of our industry. This would have led to incorrect managerial decisions. For example, if floating had been introduced sooner, Volkswagen would have a plant, or several, in the United States. I believe that floating is the ideal form, if there is one, for this country and for free world trade.

Q—How can the "overforeignization" of the German economy through purchases of shares by foreigners be prevented?

A—I don't see the situation so dramatically as it has been depicted in the German press for several months. I believe, the demand from Mideast countries for participation in German industry is very small or even nonexistent and that the wish of many German entrepreneurs to sell is large. That is the origin of the conversations and rumors. I think any law on foreign share ownership would be a disaster. The information-exchange system set up by the German banks and industry in my opinion should be sufficient to prevent

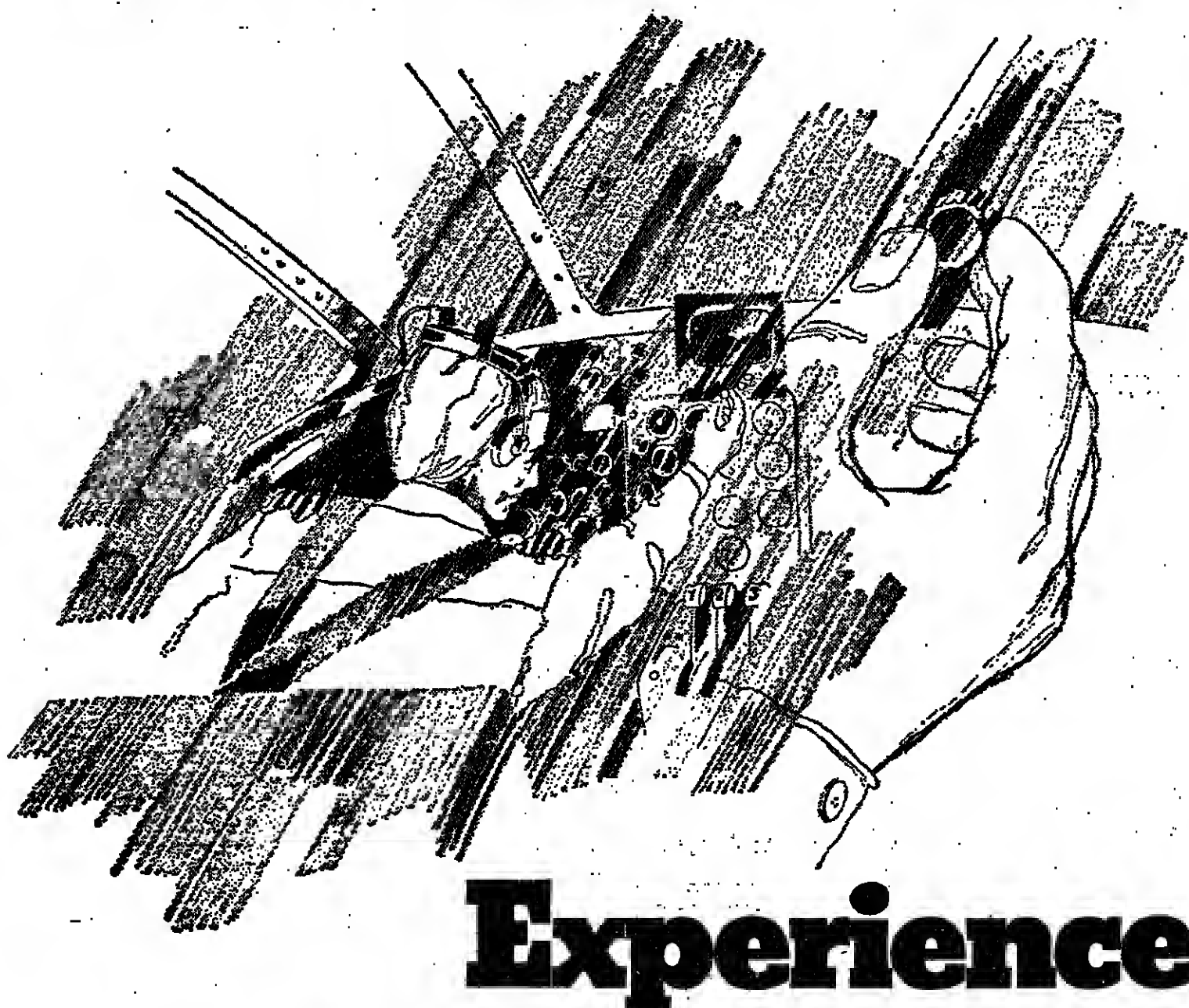
any further "surprise." However, we can't catch the legislators can't catch if someone wants to sell, do it through devious, London, through Zurich the biggest danger is the fact of the Mideast countries which haven't earned which isn't correct. I believe I believe the intent of the industrialized or material nations, even form of mutual share positions, is to be destroyed. C point should be mentioned that is that Mideast is government buying. It be stated through channels. "Friends, if you to buy, please tell us, with us." I have no doubt I have heard of Mideast countries are ve to avoid political tension

Q—One last question. You see ahead for the banks, West Deutsche in ular? A: former presi Hesseische Landesbank tial, Prof. Wilhelm Han suggested that the Land should be made into institutions. What do in the future?

A—That is, excuse me, it est, nonsense I have ere after Bankel previously b ed of special responsibility public banks. He undoubt his own had experience public sector banks, we I are naturally under spec But this state, the largest many, the state of Nor Westphalia, has always r from mixing into the ba migration and policies said: "You know best. Y the money. We have g the capital. Do business and fulfill your assignmen ply the industry of Nor Westphalia with credits, in foreign business." That main as it is.

There will be a pe struggle, not open but I conceived, to conduct the of a Landesbank in such ner that it doesn't justify from the political side.

I believe the form that in Germany, namely the we have between privat and savings banks, is c I consider any change ve gerous. If change were to various of private banks were privatized—then the banks would have so muc as to invite nationalize mention another theme, I of nationalization—I refer big three banks—is now d cause of the countervailin of the public sector banks balance should be destr for example we were pr the immediate consequen be nationalization. If, on t hand, the public sector be too much power, the stat do everything it could t them under its influence



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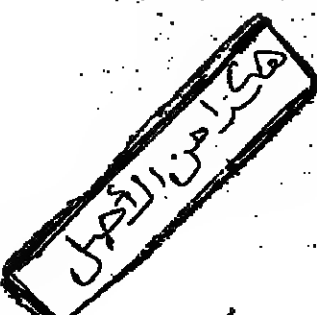
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## Deutsche Bank Official's Views on German, World Economy

By William Castle

FURTHER (LIT).—The confidence of the banking community in the collapse of I.D. Herstatt has been shaken in the months following the collapse of the bank. The confidence of the banking community in the collapse of I.D. Herstatt has been shaken in the months following the collapse of the bank.

ny lingering consequence of the collapse of I.D. Herstatt will have to be considered in the context of the question of merging or banking houses in the strengthening of their general he said.

### Wide-Ranging

th made this assessment of the German and economies, the international system and the of foreign purchases of shares. It said it was too early at the findings of the Study Commission established by Finance Minister Hans Ehard. He said that because the study is conducted by "very simple" there are grounds to believe its conclusions are "fact" rather than the "facts" that often have been discussed in German banking in the said it is to be hoped commission will not suggest major changes in the banking system, which considers excellent in the range of services it provides. He said that the commission is able to devise any alternative to the current system (timorously) under which any exercise certain voting of shares left on deposit by owners. Under the

controversial system, banks holding shares on deposit write to the owners prior to company meetings asking for any special voting instructions. If, as happens in the majority of cases, no instructions are given, the bank exercises the voting rights itself. This is done under a power-of-attorney authorization granted by most shareholders to banks holding their shares.

The system, he said, ensures that shares are voted, despite the absence of many shareholders to company meetings, and prevents the possibility of minority dominating shareholder assemblies. He said the only modification he would like to see is that banks should refrain from voting on certain very important issues unless they receive specific shareholder instructions.

Regarding the domestic economy, Mr. Guth did not see enough evidence yet for the government view that an upswing will come this summer, maintaining that "no substantial upturn" could be expected before the final quarter or early 1976.

"The basic reason for our caution," he said, "is that improvement in the internal economy has been offset by export weakness." He said that so long as economies of major trading partner countries remain depressed, Germany cannot expect a substantial recovery itself.

But he said there are grounds for belief that the world economy will turn up late this year or early in 1976.

"It has become apparent that the oil-crisis problems are not so dramatic as we had feared," he said, Japan, he said, which registered a heavy payments deficit in 1974, is expected to be about balanced in its foreign transactions in 1975. Italy's payments difficulties, though still serious, aren't so bad as previously thought.

Mr. Guth said the main reason that oil crisis-related balance-of-payments problems haven't matched earlier fears is that oil-producing countries have imported far more goods than previously foreseen and that two mild winters and a recession led to greater-than-expected fuel savings among consuming nations. He agreed that balance-of-payment surpluses of oil-producing

**"The basic reason for our caution," he said, "is that improvement in the internal economy has been offset by export weakness." He said that so long as economies of major trading partner countries remain depressed, Germany cannot expect a substantial recovery itself.**

**But he said there are grounds for belief that the world economy will turn up late this year or early in 1976.**

countries are likely to come down from current highs. Nevertheless, he said that substantial new investments—with the assistance of industrial-country know-how—ought to be initiated in these countries so that they can continue to import at a brisk pace. He added that fuel-saving efforts must be vigorously continued.

Despite these encouraging factors, he said, the balance-of-payments problems of Britain and Italy are still of such magnitude that the European Community will probably find it desirable to use its new authorization for raising money by bond issues to help solve balance-of-payments problems of member nations.

He said he hoped the facility would be exercised as a demonstration of its usefulness and of European solidarity. He added that the Eurodollar markets aren't in a position at present to repeat their good 1974 recycling performance.

Mr. Guth dismissed as "academic" any discussion of alternatives to the present floating-currency system, which he said wasn't ideal but nonetheless not the disaster for world trade that some opponents had foreseen prior to its introduction. Floating

will continue to be necessary so long as nations have widely differing rates of inflation and grave balance-of-payments deficits due to the energy problems prevail, he said.

The system does have the disadvantage of "making life more difficult" for company finance chiefs and foreign-exchange dealers," he said.

The deutsche mark, he said, is likely to remain a strong currency so long as German inflation remains low in comparison with the rest of the world. The dollar, he said, is currently somewhat undervalued in view of the basic strength of the American economy. However, little fundamental shift of the dollar-mark relationship is likely in the next six months because of low U.S. interest rates and fears, unjustified in Mr. Guth's view, that oil-producing nations will withdraw funds currently invested in the United States.

He said there isn't any possibility that oil-producing nations could replace the dollar as major payment currency because markets for other world monies are too small to allow any other currency the major-payment role.

Mr. Guth said he would like to see the French franc rejoin the



Lutz Kleinham.  
Wilfried Guth

not heed Germany's clearly expressed wish to be consulted in advance on substantial share participations—such as Iran's one-quarter shares in Fried. Krupp AG, which are worked out in concert with the government and companies involved.

Mr. Guth said Deutsche Bank's recent proposal to limit voting rights of any single bank shareholder to 5 per cent of the total shouldn't be seen as a measure to defend against foreign share participations but simply as a means of ensuring Deutsche's long-range independence from the influence of any one big holder.

### Voting Rights

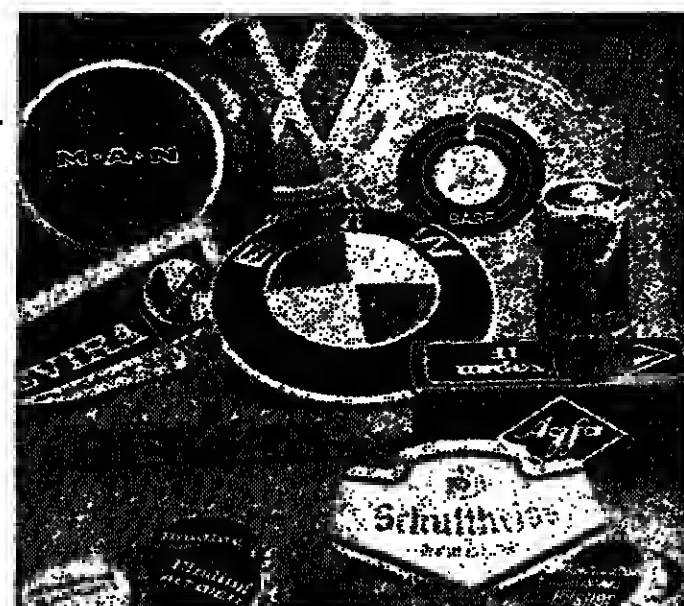
The voting right limitation, similar to one introduced recently by Mannesmann AG after its shares rose on Mideast buying, can be applied sensibly to at most 10 German companies, he said. These are all large concerns that, like Deutsche Bank and Mannesmann, have a long history of widespread ownership and no single very large shareholder so that no one is deprived of any right of possession.

Deutsche Bank's planned adoption of the voting rights limitation shouldn't be interpreted as a sign to other companies to do the same, he emphasized.

Mr. Guth had some reservations as to the recent change by Deutsche Bundesbank president Karl Klasen that German banks have been slow to pass on to borrowers the benefits of lower money costs arising from a recent drop of 2 percentage points in the official discount rate to 5 per cent. Because bank profit margins had dropped "nearly to zero" during 1973, the banks had a strong need to "normalize" their margins during the initial phase of gradual monetary relaxation, he said.

Therefore, there was a tendency for deposit rates to ease more quickly than lending charges. However, he emphasized that Deutsche and other banks had started to lower rates to loan customers long before the first movement of the discount rate and that "this process has continued and is continuing."

Strong competition among the banks is sufficient to bring down commercial rates in German banking, he said.



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French Franc	120.00	54.15	88,598.88	+723.2
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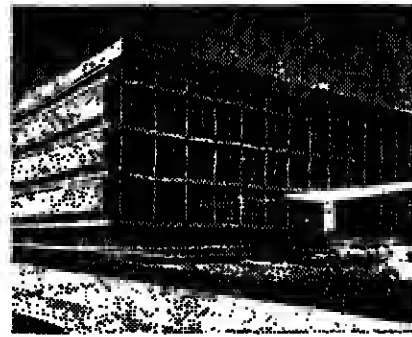
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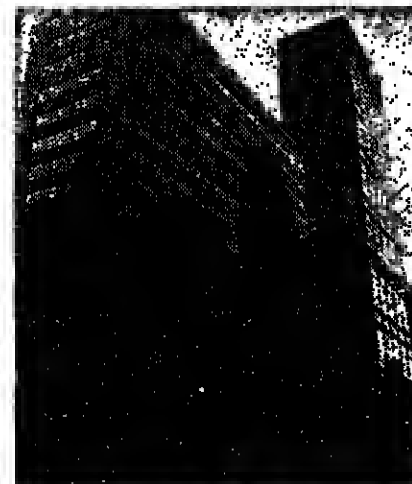
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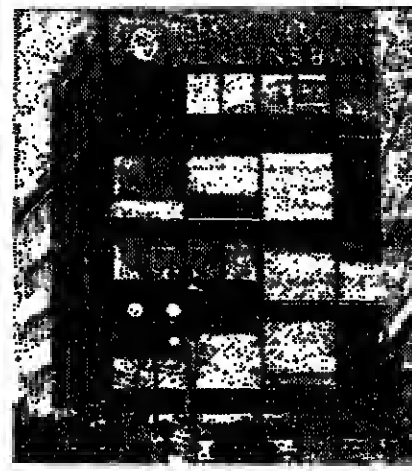
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## An Interview

## How Has Daimler-Benz Maintained Its Production?

STUTTGART (HT)—Joachim Zahn is management board chairman of Daimler-Benz AG, the only major German car and truck manufacturer to be able to raise its production during the 1974 automotive recession.

Aside from winning acclaim for this achievement, the company also made news last November when Zahn took a 14.5-per-cent share in the concern and later in January when Deutsche Bank purchased a 29-per-cent Daimler-Benz share package from the Flick group to prevent it from going abroad.

In these interview excerpts, Mr. Zahn reviews the situation of Daimler-Benz and the auto industry in general.

**William Castle**—How was Daimler-Benz able to maintain its production and increase its sales revenues in 1974 when the auto industry as a whole did so poorly?

**Joachim Zahn**—In regard to quantitative expansion there are two thoroughly different concepts. The one is that production must be increased in every case so that all effective demand can be satisfied immediately. And the other philosophy is that one must guide the capacity of a company according to what one can expect after sensible and careful business planning—is the lasting demand level. By "lasting demand" I don't mean that which is the absolute minimum of eternally assured demand but that which corresponds to the average level over many years. The latter is our philosophy. During the peak domestic demand of the years 1972 and 1973, we expanded our capacity only in an average measure so that we entered 1974 with a very high order level.

The second principle is that in the years of very strong domestic demand we have very systematically cultivated our export deliveries and strengthened our export organization. Our export strategy has avoided very strong market concentrations. For example, we haven't over-endowed the American market, which has always accounted for about 10 per cent of our total production.

You see that they have gone as high as 40 per cent. But using all "push methods" at our disposal, we could probably have sold 50 per cent more in the United States, but we would certainly have lost the 50 per cent in 1974.

**Q**—Your production of diesel engine cars rose sharply. What



Joachim Zahn

are the advantages of diesel engines?

**A**—The share of diesel vehicles in our production rose in 1974 to 43 per cent from about 35 per cent in 1973. This is partly because the diesel vehicles are delivered only in the lower Mercedes range, which rose as a whole, while the upper class has declined.

In general, the mileage of a diesel engine, when driven in an appropriate manner, is about 30-per-cent higher than that of a normal engine. Second, diesel fuel is considerably cheaper in many countries. Third, the life of a diesel is often up to double that of a gasoline engine. The diesel also has far lower emissions of carbon monoxide and without catalyst. I must naturally mention that the diesel motor is somewhat more expensive in the production than a normal motor because of its decidedly expensive injection equipment.

**Q**—How do you evaluate your company's prospects for 1975?

**A**—I would say we expect the 1974 performance can be maintained with respect to the volume of production. I would say we'll have a bit higher production in trucks and equal volume in passenger cars. I think higher profits are unlikely.

**Q**—What type of price development do you expect?

**A**—Most of the companies have raised prices by 4 to 7 per cent. Our price rise of 5.8 per cent doesn't cover the actual increased costs. On the personnel side, we have somewhat over 8-per-cent increased costs.

**Q**—Do you expect to shift a greater portion of your output overseas to escape higher costs here?

**A**—For some types of production, for example trucks, there are better chances than in passenger cars. For the theory that production in other countries would be considerably cheaper simply because hourly wages are lower doesn't hold up. There is a whole series of other compensations, chiefly the size of one's production volume. We produce in Germany about 240,000 quality passenger cars a year. If we decided to shift output of 20,000 cars of three different types to another country, that would give us about 6,000 cars per year of each type and that certainly isn't rational production. These vehicles would be considerably more expensive than if they were made here.

The infrastructure also plays a great role. In many places, there isn't any infrastructure at all and additional costs arising from lack of infrastructure can be considerable. It isn't economically sound to go into just any country and produce Mercedes-Benz passenger cars, and in some cases it would be completely impossible on account of high demands on technology. Yet many countries think it is possible and demand this of us.

**Q**—Do you expect a shift in the pattern of exports this year?

**A**—I personally believe that in general the exports of the German passenger vehicle industry will more likely decline than rise, especially in the big-volume markets. We at Mercedes-Benz have from the beginning regarded our product as specific and special, limited in individual nations to a relatively small, exclusive, and therefore maintainable market. Therefore I foresee that our passenger cars will stay on about the same level as in 1974. In trucks, we may reach an export peak.

**Q**—Do you believe a turning point has been reached for the German auto industry?

**A**—The situation is completely unclear. The German auto industry has reached at present a turning-up point following the deep valley in domestic demand in 1974. But on the other hand car exports suffer from worldwide weaker demand and additional currency obstacles. It would be prophetic to speculate whether the result will be a turning up for production as a whole.

**Q**—Is the 7.5-per-cent capital investment bonus helping the domestic market?

**A**—Yes, without any doubt.

**Q**—Why should the bonus help auto sales but not benefit sales in other areas, such as heavy machinery?

**A**—That is completely obvious. Because the automobile purchasing occurs as the result of many isolated, mood-determined individual decisions, while a machine is purchased as a result of a big capital investment plan. Also the acquisition of a vehicle is predominantly a replacement purchase, requiring no change in investment plans, while a machine order is almost always a part of an expansion or rationalization program.

**Q**—Did Daimler-Benz have any advance indication that Kuwait would take a share in the company?

**A**—We had indications that there had been interest and negotiations concerning Daimler-Benz

shares, but not in the special case of Kuwait.

**Q**—Was it a surprise when you heard about it?

**A**—It was news, not a surprise.

**Q**—Will the Kuwait share make any difference to the company? Will you for example put a Kuwaiti on the supervisory board and perhaps make other changes in the board?

**A**—There already have been changes in the supervisory board. Two gentlemen from the Flick group resigned and two others have been selected to replace them. But this is not due to the Kuwaiti investment.

**Q**—Was Iran offended by Deutsche Bank's purchase of a substantial share of Daimler-Benz?

**A**—I would not say "offended." I can't imagine that a man like the Shah who has done so much for the maintenance of the independence of his own country wouldn't have complete understanding if

a large enterprise wanted to maintain its own independence. I might underscore that Deutsche Bank has made it clear that it doesn't want to maintain its current 57-per-cent holding, but instead plans to place widely the 29-per-cent Flick package, currently "parked" with the bank, as soon as possible so as to make the firm once again a publicly owned company.

**Q**—Do you have any indication whether Kuwait will hold on to its share?

**A**—According to everything we have heard from Kuwait with whom we have friendly contact, they regard this as a lasting portfolio investment. But in principle, it is the nature of a share that one may sell it.

I would like to add that the question of Kuwait has been made into a sensation, accompanied in part by unusually foolish commentary—exaggerated and even damaging commentary. I regret that some thoroughly unfriendly

comment has been directed toward Kuwait for which I can't see any factual justification.

**Q**—Do you feel the deutsche mark can keep rising as it has without seriously damaging exports?

**A**—I am of the opinion that the current situation already is seriously burdening German exports and that many traditional exports are no longer economically feasible. I consider the current situation to be critical.

**Q**—And it will get worse if the mark rises further?

**A**—It will, and not proportionally but progressively in its effects.

**Q**—How do you foresee the future of the auto industry in light of anti-auto sentiment that is based partly on environmental concern and sharpened perhaps by the fuel price rise?

**A**—I really have the feeling that the emotional and political anti-auto currents have subsided and that the old crisis had one useful aspect: it made clear to the public

how necessary the has been some exaggerated safety demands to immediate change to economics. In me seems to me that become more realistic.

Nevertheless, as I look for the auto itself is concerned, some of those who from peak auto demand years—and here to what I said about Joachim Zahn—light in the future growth of the auto.

But those who realistically aren't i tie changes. We w gain growth, but t of growth won't b of units but rath quality, for exampl safety, economy an tal technology. Th really more growth and here Mercedes had a strong posit

## Auto

(Continued from Page 15 b)  
cent and VW, down 15.3 per cent. BMW output declined only 5.8 per cent.

Among the big six producers, only Daimler-Benz was able to increase overall output. The company registered a 3.79-per-cent production increase to 465,245 units in 1974 from 448,336 in 1973, according to VDA statistics. Car output rose 2.5 per cent to 340,006 units from 331,582, while manufacture of trucks, buses and truck tractors gained 7.5 per cent to 125,239 units from 116,554.

The industry's reduced production naturally took a steep toll in revenues, though these didn't decline proportionately due to price increases and shifts in consumption patterns. Total turnover dropped 10 per cent to 33.1 billion marks from 36.8 billion.

## Profit and Loss

Financially, Daimler-Benz, BMW and Audi NSU weathered the year with relative success. Daimler-Benz reported turnover rose 9 per cent to 16.9 billion marks, though the concern commented that its as yet unspecified profit declined as a percentage of increased revenue. The company

had net earnings in 1973 of 277 million marks.

BMW said it will show a profit on its sales of 2.49 billion marks, versus 2.61 billion in 1973, though earnings will be below the 93.2 million of the previous year. Audi-NSU had to take a 17.1-per-cent sales drop to 3.05 billion marks from 3.59 billion but nevertheless stayed out of the red.

Figures aren't yet available for Fordwerke and Adam Opel. VW had a disastrous year financially and is expected to report a loss of over 500 million marks, its first deficit in post-war history, following a net profit of 211 million marks in 1973.

The mammoth loss precipitated a major management shakeup that saw supervisory board chairman Josef Rnst replaced Nov. 6 by Hans Birnbaum and management board chairman Rudolf Leiding succeeded in February by Toni Schmucker, then operating chief of Rhein-stahl AG and former Fordwerke sales director.

Early in April, Mr. Schmucker was weighing how to reduce VW's capacity which was being only 60-70 per cent utilized. Among

possible moves were closure of as many as three factories (presumably including the 10,000-worker Audi-NSU plant in Neckarsulm), partial closure of a number of units, a reduction of shifts, or a combination of these steps.

Any reduction of capacity would involve dismissals of workers, a VW spokesman said. Some reports suggested that as many as 30,000 jobs could be cut, but the company refused to discuss numbers. The combined VW-Audi NSU work force already had been sharply reduced through hiring stops, resignation bonuses to workers and normal attrition to 136,000 persons in early April from 161,000 at the beginning of 1974.

VW's concern with reducing capacity has put into the background consideration of a possible U.S. manufacturing plant, a pet project of Mr. Leiding, the VW spokesman said. He denied, however, that consideration of such a plant has been given up altogether.

The current domestic auto-market pickup is traced by industry sources to three main factors:

• The government's 7.5 per cent capital investment bonus, easier

money and other features of the current official drive to stimulate the German economy.

• A drying up of the used car market.

• Buying in anticipation of higher prices.

Several big manufacturers have taken advantage of the reviving home market to raise domestic prices. Adam Opel by 7.5 per cent, Daimler-Benz by 5.8 per cent and Fordwerke and Bayerische Motorenwerke by 4.9 per cent each. The VW group announced price increases averaging 4.3 per cent.

The Verband der Automobilindustrie says that current figures show a "light, genuine quickening" on the domestic market, even after effects of the temporary capital investment bonus and inflation-anticipation purchases are excluded. "We can only hope the trend continues," a spokesman said.

But the spokesman added that current export figures are "miserable" and observed that no foreign upturn is in sight. For this reason the industry would be "happy" if 1975 were no lower than 1974.

The export market took a 60.7 per cent share of German production last year, up from 59.4 per cent the previous year.

The IFO Institute that production has risen significantly in ever, industry job out that with over in February down cent from a year ea cost of an unchan ples a considerable ward the end of the up for current year

## Domestic Vehicle Registrations

	Feb
Volkswagen	341
Opel	241
Fordwerke	151
Daimler-Benz	151
BMW	91
Audi-NSU	91
Renault	101
Fiat-Italy	91
Chrysler-Simca	91
Matra-Renault	61
Total*	1521

\* Including some re- listed here.  
Source: Verband c Industrie.

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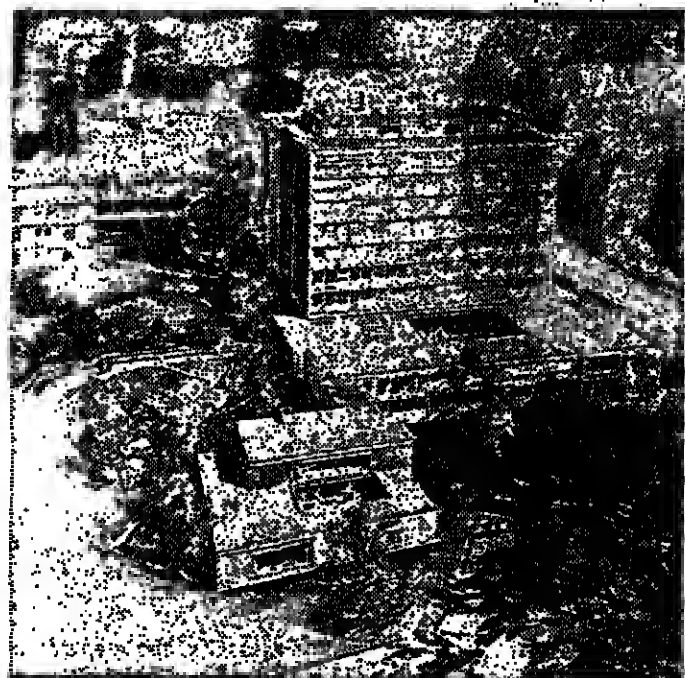
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# In Interview With Emminger on Monetary Problems

continued from Page 15 b)

1973 to March 1975 the dollar appreciated by 21 per cent vis-à-vis the dollar, but only by 10 per cent in relation to a weighted average of 18 important currencies. Second, a large part of the D-mark appreciation has been compensated by a rise in costs and prices in Germany as compared to industrial countries. And the success of German has also been due to the fact that a number of other countries not only suffered from monetary demand but also from a lack of confidence in their goods promptly, while the German industry has nearly always been able to deliver quickly.

But now with this worldwide demand, inflation seems to be the way out.

Well, partly at least. This is a process in the world which is accompanied by increasing competition from other countries already beginning to have effects on our trade. Another factor which works in the same direction is the present policy of stimulating domestic demand in Germany. This will give other countries in particular countries with payments deficits, an opportunity to expand their sales in Germany, and also to other countries in competition with Germany, provided they are able to deliver their goods at competitive prices. I therefore expect a considerable reduction in the trade surplus in the course of 1975.

It appears that the government's policy of easing taxes, relieving most of the burden on the German economy, will play a role in the Bundesbank's credit policy in the near future.

The government's policy is a combination of various measures. Tax reductions, special measures to stimulate private investment, and last, but not least, decision not to make up for losses of tax revenue due to present stagnation in the economy. You might call this a "stimulus package." These measures are intended to create a wide gap between income and expenditure in the public sector—altogether amounting to between 5 and 6 per cent of the GNP. On top of the current measures, and supporting them, the Bundesbank greatly relaxed its monetary policy. Short-term interest rates have been falling since spring 1974, and also long-term interest rates have come down since last October by more than 2 percentage points, namely from over 12 per cent to about 10 per cent. It is particularly significant, in contrast to expectations in the United States, that the money supply has been increasing relatively fast since last November.

—At what rate?

Money supply in the narrow definition of banknotes in circulation and sight deposits increased over the four months from November through February 1975 at an annual rate of 15.7 per cent. A seasonally-adjusted basis, February 1975 was 11.5 per cent. These figures, however, are at present a target rate for the increase in the so-called monetary base of 8 per cent per annum and have been more or less on track since last November. The monetary and budgetary cycle in the United States, where that in fact case monetary policy is playing a very important role.

—How do you explain the weakness of the dollar on foreign exchange markets?

I wonder whether you really call this an "extreme weakness" of the dollar. This depends on how you measure it. The dollar is very low in relation to the Swiss franc, relatively low vis-à-vis the Deutsche mark. But in terms of a weighted average of 18 major currencies, the exchange rate of the dollar at the end of March 1975 is only about 3 per cent lower than when the dollar began "falling" in March 1973. In the months from end-September, to end-March, 1975, the dollar lost 12.5 per cent in value vis-à-vis the Deutsche mark, and a more significant number of European currencies, but 7.5 per cent against the weighted average of the 18 major currencies.

There are a number of possible reasons for the weakness of the dollar since last summer. Very important one has been the reduction in U.S. interest rates in late September. As a direct result of this there have been large capital inflows into the United States, especially of petrodollars. But capital movements are not the only reason for the dollar's weakness. Other reasons are psychological and political factors. Last November, Switzerland "benefited"—or rather suffered—from significant capital inflows, including petrodollars, although Switzerland is the only

country with significantly lower interest rates, both long-term and short-term, than the United States.

Q—What are the psychological and political motivations?

A—Some of these funds are looking for a safe haven, just a safe haven. There may also be a general shift in the attitudes of some oil countries towards greater diversification in their investments. By the way, there may also be other reasons for occasional downward pressures on the dollar in relation to some European currencies. The deficit in the American balance of payments on current account (trade and invisible), the relative rates of inflation, etc.

Q—What is your estimate of the flow of petrodollars into Germany so far this year and, say, in the last six months?

A—There has been some inflow of petrodollars in the form of purchases of shares and holdings in companies, the granting of bank loans, purchases of fixed-interest-rate securities, etc. It is impossible to give a precise estimate as a considerable part of these funds comes via the Eurocurrency markets or Switzerland and is not statistically ascertainable as "petrodollars." From the overall picture we have, the inflow of oil funds seems to have been slowly increasing over the last few months. It is still rather small compared to the inflow of petrodollars into the Eurocurrency, the United States, or Britain.

But it may create problems for us, as Germany already has a large surplus in its balance of payments on current account. Until recently, we had large net capital exports which entirely compensated our surplus on current account. If this were to shift to a net capital inflow, we would have a constant upward pressure on the exchange rate of the Deutsche mark—as the Swiss have had on their currency a few months ago—except if we were to intervene by buying up dollars. This latter course would inflate our domestic money supply, maybe far beyond our target rate. This would in practice also mean incurring debts vis-à-vis the oil countries by the sale of Deutsche mark assets in exchange for dollar claims. We would have to steer our way between Scylla and Charybdis.

Q—Is the dollar's present value of around 234 D-marks (end-March value) realistic in your estimation?

A—I personally would not pass a judgment on whether the dollar is overvalued or undervalued at present. Frankly, it is impossible to know. You could perhaps say that judging by the relationship between American and German price and cost levels, the dollar may appear undervalued. But the value of a currency, especially a currency like the dollar, is also determined by other factors than bilateral price and cost relations, e.g., by capital movements.

It is impossible to judge whether the diversification of oil surplus funds will continue, whether there will be a swing back into the dollar once American interest rates rise with an improvement of the American economy, and whether the rate of inflation in the United States goes down sufficiently, etc.

Finally, I would like to stress once more that it is quite misleading to assess the proper value of a currency by looking only at a bilateral exchange rate, like the rate of the dollar vis-à-vis the D-mark or the Swiss franc.

Q—You recently proposed that the oil producers and the main industrial countries establish an investment agency as a way to get the so-called petrodollars into productive investment. Could you elaborate on this? Why is it necessary in addition to the IMF oil facility and the OECD safety net?

A—I would leave aside the IMF oil facility, which is limited to \$6 billion, and the OECD safety net, which has a completely different function and is not meant at all to help invest the OPEC countries' surplus funds. I would not say that a special investment agency is absolutely necessary after all, the "recycling" of petrodollars from oil exporters to oil-importing countries has up to now been working without such an agency—but the recent tendency of oil exporters to diversify the investment of their surplus funds may create problems in the future. Some of them—the structural or long-term surplus countries—want to diversify into "real assets," like property, industrial holdings, etc., and they want to diversify also into other currencies than the dollar or pound sterling. This diversification is, of course, quite legitimate. But it may create problems. If they invest, for example, in assets of "stronger currencies," this may give rise to the problems I have mentioned, namely a distortion of exchange rates, a weakening of

domestic money markets, and so on.

Q—What about the political problems?

A—There is the problem that, directly or indirectly, it is in most cases a foreign government—not a foreign business corporation—which buys a holding in a top industrial enterprise. There may also be security reasons involved. However, as a monetary expert, I am particularly interested in the problem as to whether a country should be prepared to allow part of its industry to be sold abroad against dollars. It does not need and whose inflow may create domestic monetary problems.

Maybe such investment problems could be solved more easily by some sort of an agency, or investment mechanisms, where both sides—the surplus oil countries and the main industrial countries—which have to provide the investment assets—would assume joint responsibility and joint risks. Such an agency might also channel oil funds plus technical know-how of industrial countries into the developing countries. Probably this could not be achieved by one single agency, as it will perhaps be difficult to get all the oil-producing countries around the table of one single agency.

Q—How would this agency change, for example, one oil producer's decision to buy a company that the German authorities determine is not in the national interest to be sold?

A—I take it that there would be no investments in a country against strong objections by that country. This is a principle which, at least, one important oil country seems to have already publicly accepted.

Q—Doesn't this call for creating such an agency conflict with another view that you have expressed, namely that narrowing the collective world deficit is much more important than the mere recycling of petrodollars?

A—Not at all. I still maintain that reducing the global deficit is the most important thing. There has already been a faster diminution of this deficit with the OPEC countries than had originally been assumed, partly through lower oil consumption, increased exports to the oil countries, more assistance being given by OPEC countries to non-oil developing countries, etc. But in spite of that, very large surplus funds are bound to accumulate in the hands of the oil countries. If we do not find cooperative means of channelling these surplus funds into adequate investments, they may do damage to the international financial system.

Q—The latest estimate for the cumulative surplus is the OECD figure of \$350 billion to \$360 billion.

A—It is rather a figure between \$300 billion to \$350 billion of constant 1974 value. This is a guess based on certain assumptions, such as that oil consumption in the world will increase only very slowly from 1976 onwards, that the relative price of oil will not increase or may slightly decrease, etc.

Q—What contributions could be made by Germany, which has the largest reserves of any country in the world, to ease the oil burden of its allies?

A—Well, as concerns our reserves, it is usually not fully realized that there are two mortgages on them. First, a large part of reserves was built up between 1970 and 1973 or the beginning of 1974 by inflows of foreign money, by German corporations and banks going into debt, etc. And so we have a net liquid external indebtedness of our economy which has to be covered by these reserves. That is to say, you have to deduct a certain amount from these reserves as a contingency against possible capital reflows to the outside world.

The second mortgage on these reserves is the very large commitments already undertaken by Germany, and in particular the Bundesbank, in the international field. They add up to very significant amounts, and exist vis-à-vis the IMF inside the EEC for various assistance schemes, and also towards other central banks. So all in all, if you take these two mortgages together, what is left is not such an impressively high level of reserves. Therefore we cannot assume many more commitments on our reserves.

Q—What is the amount of indebtedness?

A—The Bundesbank has recently estimated the total amount of liquid or quickly mobilizable indebtedness of the German economy vis-à-vis foreigners at about DM 60 billion at the end of 1974. As against that, official reserves, as at the end of 1974 amounted to DM 31 billion. But of these

*'We are very reluctant to let the deutsche mark become a fully fledged reserve currency. We have always tried to limit this role of the deutsche mark.'*

officially held reserves no less than DM 11.5 billion are in reality claims resulting from financial assistance to other countries, like Italy, or loans to the World Bank, or claims within the framework of the offset agreement with the U.S. This part of our reserves is not immediately usable. Mind you, the DM 11.5 billion do not include contingent liabilities to the IMF, the EEC, and so on, which have not yet led to disbursements, but are also still a mortgage on our reserves. So at present we have in our reserves liquid, or immediately usable, reserve assets of about DM 70 billion. Against these you have to set the various "mortgages" I have mentioned.

It is true that the reserve figure contains gold reserves valued at the old official price, but as everybody knows, it is not possible at present to utilize gold for payments purposes to any large extent, nor is it likely to be in the near future.

Q—How do you feel about the prospect of the deutsche mark becoming a reserve currency with the oil producers?

A—It depends on what you call a reserve currency. We know that

deutsche marks have been in the reserves of many countries for quite some time. This development has been taking place since 1970-71 and it is likely that the process of reserve diversification is still going on. On the other hand, this is not the only characteristic of a reserve currency. The dollar is at the same time a unit of account for numerous international raw material markets as well as an intervention currency that is used by dozens of countries to intervene in the exchange markets in support of their currencies. The deutsche mark is not an intervention currency—except within the European "snake"—nor is it used as a unit of account, e.g., for determining or expressing oil prices and other raw material prices.

We are very reluctant to let the deutsche mark become a fully fledged reserve currency. We have always tried to limit this role of the deutsche mark.

Q—Why are the German authorities opposed to the deutsche mark playing a full role as a reserve currency?

A—Mainly because we believe that the deutsche mark is too

small a currency and that our money and capital markets are too narrow to adequately cope with such a role. We have seen that the movements of funds associated with the desire to incorporate the deutsche mark in reserves can be very disturbing for our whole monetary system. While such movements can easily be absorbed by the huge American financial markets where you have a money volume of \$500 billion or more, it is very difficult for us to absorb them without great disturbances.

Q—What is Germany doing to arrest the process?

A—We have done something in order to at least slow down this process, mainly by making it difficult for foreigners to invest in deutsche marks within Germany. For instance, there is still in existence, from the times when we had very large inflows of foreign money into Germany, the prohibition on paying interest on foreign deposits with German banks. We lifted most of the former restrictions on the inflows when we went over to floating, because now floating rates are taking part of that strain. But there are also some other restrictions still in existence on the inflow of foreign money.

So, it is not very easy for foreign central banks to accumulate very large amounts of deutsche-mark securities or other deutsche-mark assets, and it is not very attractive for them to accumulate deutsche-mark deposits. They would have to go to

the Euro-deutsche-mark market outside Germany, as some of them do. Of course, indirectly, this may also lead to an inflow of funds into Germany, but all the expedients I have just mentioned are designed to slow down this process of moving the deutsche mark into the role of a reserve currency.

Q—What stage has the joint EEC loan reached?

A—All the legal conditions making such a community loan possible have been in existence since January. It seems, however, that no deficit country is now in a hurry to apply for a loan under the scheme.

Q—What do Germany and its EEC partners hope to achieve by liberalizing the rules on the trade of gold? It seems that the goals are contradictory, preventing the amount of gold in the vaults from increasing, but tolerating free market purchases of gold as a commodity?

A—What most countries want—not only within the EEC, but I think, generally—is that the old rule in the IMF which ties transactions in monetary gold to a completely obsolete price of U.S. \$42.23 should disappear because it is impossible to maintain this rule in the face of reality. In addition to this there is a second point, namely that it has been said very definitely—and not only by the EEC countries—that gold should, and can, no longer be the standard of value for parties and transactions, and that the

new standard of value should be, and already is, the value of one special drawing right. Everybody is agreed on this. So gold as the standard of value ought also to disappear from the rules of the International Monetary Fund.

For all this, it follows that gold should be treated like any other basic commodity, except that it has, of course, a particular position insofar as it still forms such a large part of central bank reserves. And you cannot make this fact disappear just by waving a magic wand. Gold will also be used for some settlement purposes if a country with gold reserves runs into great payments difficulties. Central banks ought to be given complete freedom on how to use their gold—a freedom which they indeed already have as concerns the sale, but not the purchase, of gold.

Now some people fear that the freedom not only to sell but also to purchase gold might lead to the re-establishment of a special role for gold through the back door. And in order to assuage these fears, the EEC countries are now prepared, I think, that for a transitional period of one or two years there should be a general understanding among the major gold-holding countries that if they are free to buy and sell monetary gold, they would not use this new freedom in order to increase the global stock of monetary gold.

Q—And at the end of the two years, or at the end of the transitional period, what happens?

A—I suppose every central bank will be free.

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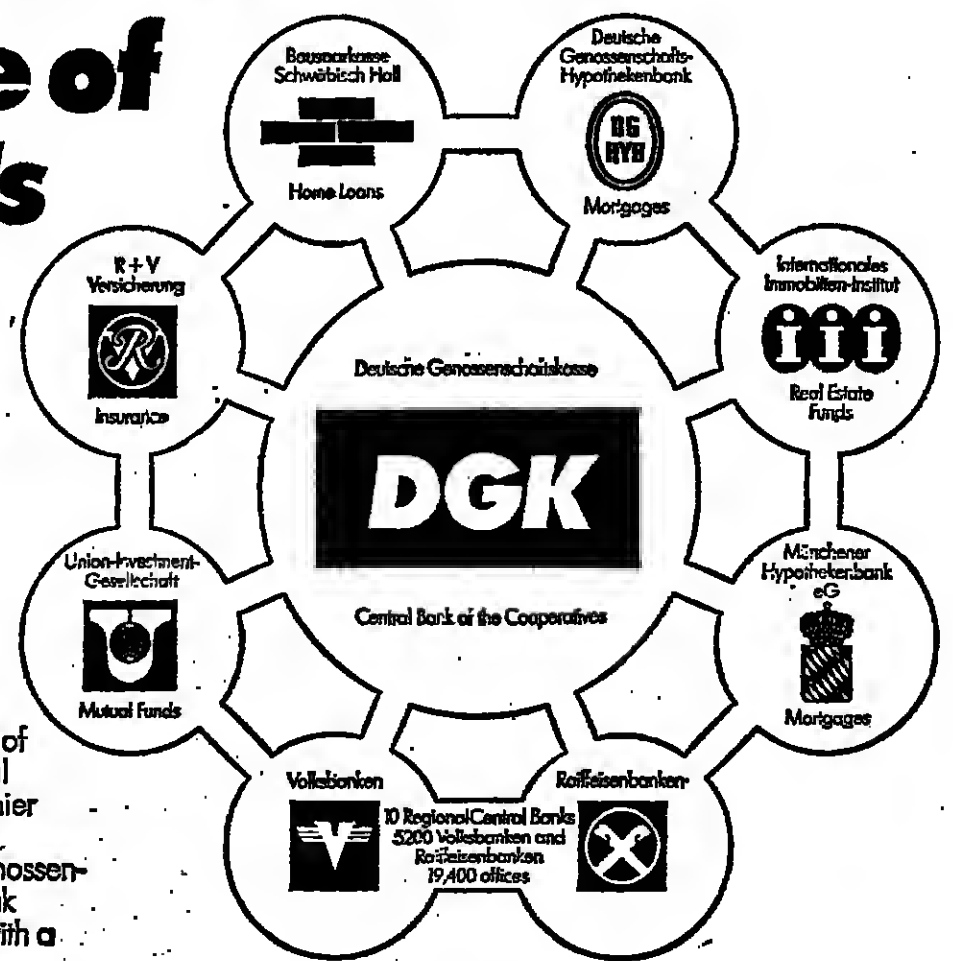
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1973		1974
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DM 1,905 million	Total Assets	DM 2,100 million
DM 1,704 million	Deposits	DM 1,892 million
DM 996 million	Bills and Advances	DM 1,121 million
DM 90 million	Capital	DM 100 million
DM 5,451 million	Consolidated Total Assets	DM 5,770 million

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## Chemicals

# After a Record Year, a Pronounced Slump

By William Castle

FRANKFURT (DHT)—The West German chemical industry has fallen into a slump after producing record sales receipts in 1974.

Turnover, which rose to 88 billion marks in 1974 from 64.8 billion a year earlier, slipped 4-5 per cent in the 1975 first quarter, industry sources estimate.

Some 34,500 of the industry's 600,000 workers were on temporary layoff in February, mostly in the chemical fibers and paint industries. One big fiber producer, the German-Dutch Enka-Glanstoff group, reported in January it was operating at a deficit.

The industry is braced for a "bad year," according to Wolfgang Munde, managing director of the Chemical Industry Federation, though he adds there is some hope for an upturn in the third or fourth quarter.

The chemical sector's reversal was quite rapid, but not instantaneous and not so drastic as a glance at the 1974 turnover figures might seem to indicate.

It is true that 1974 sales rose by a very sharp 30 per cent to lift the industry into the premier position among German manufacturing sectors from third place the year before. However, the federation also points out that the increase was due entirely to price increases, many of them stemming from higher costs of raw materials in the wake of the oil crisis.

Sales volume, as opposed to receipts, was unchanged from 1973, the association reckons.

### Higher Percentage

As yet incomplete returns indicate that 1974 profit as a percentage of turnover was higher than the 3.4 per cent of the previous year but below the 5.5 per cent of 1969, the federation says. Among the big three chemical makers, Hoechst AG posted a 19 per cent net profit increase and BASF a gain of 27.5 per cent in pre-tax earnings. Bayer AG, however, suffered a drop of 4.8 per cent in net.

Difficulties in the industry began to surface in the second half of 1974, when an early boom in petrochemicals started to taper off. In the final quarter, overall production was down by an

estimated 12 per cent from year-earlier levels and firms were laying off workers, even though sales in money terms still were above comparable 1973 levels.

Now even nominal sales are down. Order inflow is off by a drastic 23 per cent, though this indicator isn't a particularly good guide to the future in chemicals, which normally are ordered and produced on short notice.

The federation reports that exports are down more sharply than sales on the domestic market, where government pump-priming measures of Dec. 12 are beginning to take hold. Export sales, which had gained nearly 50 per cent in 1974 to 38.5 billion marks, lost 4-5 per cent in January and 10-11 per cent in February.

Product groups worst hit by the current slump include fibers, plastics and paint, and chemicals used by the construction industry.

In its report, Enka-Glanstoff put the blame for the fibers decline on weakened consumer spending for clothes, disbanding by customers of stockpiled fibers, price shifts to the advantage of cotton fibers and worldwide industrial overcapacity in the fibers field.

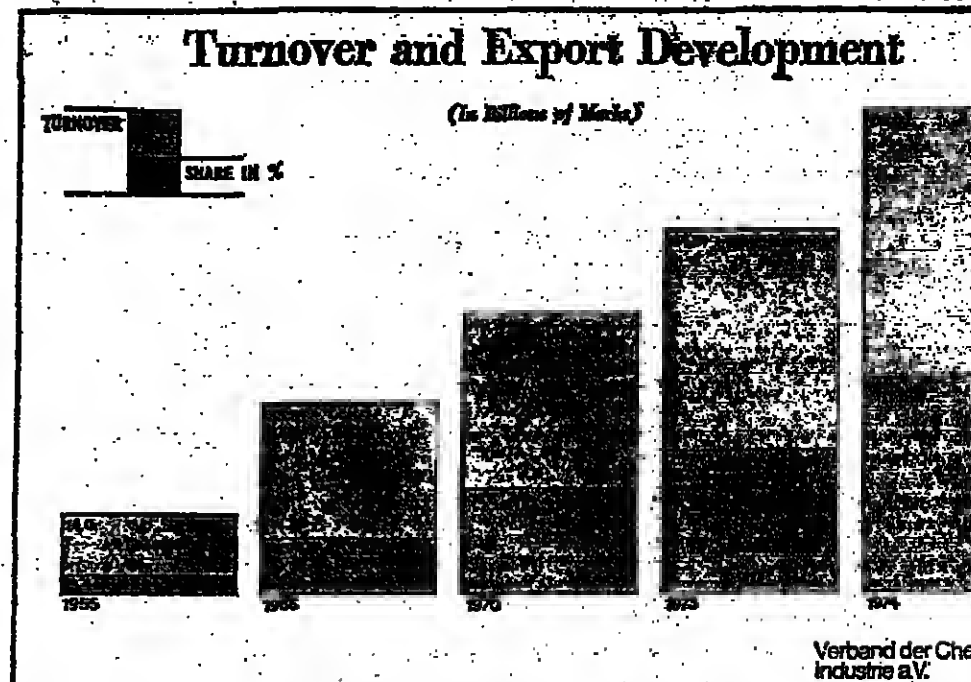
### Selective Slump

The weakness of the auto and construction industries has hurt consumption of paint, synthetic rubber, glue, and plastics.

Less affected by the slump are pharmaceuticals, which normally display resistance to business conditions, and plant-protection chemicals and fertilizers, needed by developing countries to further their drive toward high-productivity farming.

Chances for an upturn depend upon a general economic quickening both in Germany and abroad, Dr. Munde said in an interview. He emphasized that a domestic upturn alone, for which the stage seems set, won't be enough to bring the industry out of its slump; a broadly based world upswing also would be necessary.

His point is based on the increasing dependency of German chemical manufacturers on foreign markets. Exports accounted for 45 per cent of turnover in 1974, up from 39.8 per cent in



1973, 37.2 per cent in 1970, 29.1 per cent in 1965 and only 24.2 percent in 1955. The most important markets are the European community nations, which took 44.3 per cent of German exports last year. These were followed by the European Free Trade Area with 14 per cent, Eastern Europe 6.9 per cent, nations of the Organization of Petroleum Exporting Countries 3.7 per cent, the United States 4.1 per cent and Japan 2.3 per cent.

Dr. Munde says that even if foreign economies begin to pick up, German exports will have to

overcome some formidable competitive handicaps in the form of the strong deutsche mark and high German labor costs. "The mark, declares Dr. Munde, at present is overvalued against the dollar, giving German chemical makers a built-in price handicap."

### Labor Costs

In addition, German chemical per-hour labor costs, reckoned at an exchange rate of 3.90 marks to the dollar, amount to \$7.49, or \$1.25 more than in the United States, he estimates. Although U.S. wages are higher, German

fringe benefits well as in the United States. 100 marks of wages p German chemical ind players pay out an ad marks in fringe bene U.S. fringe benefits ru 40 per cent, he said.

The industry has been ing to what it consid cessive dependence on investing heavily abro last several years. I says. It is estimated man production of overseas currently at about 15-20 billion ma up sharply from previ (This figure isn't inclue 85-billion-mark 1974: t over figure.)

Hoechst AG has been in foreign investment, within the last year 10 of Foster Grant Co United States and 50.6 of Roussel Uclaf S.A. cent of Parfums Rocha France.

Dr. Munde charack current chemicals sit Germany and worldwic worst for a long time ever, he said he rem tiously optimistic as of "feeling" rather the edge, that a third quarter upturn will p set current weakness.

**The industry is braced for a 'bad year' accord- ing to Wolfgang Munde, managing director of the Chemical Industry Federation, though he adds there is some hope for an upturn in the third or fourth quarters.**

**The chemical sector's reversal was quite rapid, but not instantaneous and not so drastic as a glance at the 1974 turnover figures might seem to indicate.**

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## Machinery

## Business Faces Painful Shrinkage of Key Foreign Sales

FRANKFURT (H.T.)—West Germany's machine-manufacturing industry, leader on world markets with a quarter of all international business, currently faces a painful shrinkage of its foreign sales and increasingly declining domestic economic upturn. Industry turnover rose 10 per cent in 1974 to 81.887 billion Deutsche marks (at current rates), solely on a strong export performance. Statistics furnished by the Verein Deutscher Maschinenbau-Anstalten (VDMA), the industry association, show exports soared 24 per cent to 46 billion marks while home sales to German manufacturers slipped 10 per cent to 35.887 billion. Machine exports accounted for nearly 20 per cent of Germany's

total foreign sales of 230.5 billion marks and thus played a central role in producing the country's much-envied trade surplus of 50.8 billion marks in 1974.

## Cooling Off

But the export boom has cooled. Foreign orders, declining since last fall, registered an 11-per-cent drop in real terms in January. In contrast, January home demand gained 6 per cent. As a result of the export slowdown, some 101,400 of the industry's 1,150,000 workers were on short time or temporarily laid off in February. Industry sources place the blame for sagging exports primarily on a worldwide economic slowdown. This adds to the long-standing second problem—a

steady rise of the Deutsche mark that has placed German manufacturers at a price disadvantage vis-à-vis competitors in nations with weaker currencies.

With no international pickup likely until at least well into the second half, the country's 4,700 machine-building firms are beginning to look in their own backyards for business. The process represents a big adjustment for this export-dependent industry in which foreign sales rose to nearly 60 per cent of total business at the peak of the export boom in 1974 from around 47 per cent in 1970.

While no compensatory inland upturn has yet materialized, optimism sees grounds for hope in at least two developments. First, wage settlements in early

1975 union-management bargaining rounds have been in the moderate 6-7-per-cent range, against 12-13 per cent last year. This theoretically should free more company income for capital investment, the key to stimulation of machine building.

Second, the government is offering as part of its December pump-priming program a 7-8-per-cent bonus to businessmen who invest in capital goods between Dec. 1 and June 30. Machine industry and other sources so far have been skeptical whether the bonus will make any real difference in capital spending plans, arguing that it may do no more than shift forward into the first half orders that otherwise would have come in the second.

Nonetheless, some hope exists that even a bunching of orders will give the economy a psychological lift. Machine builders say they will be able to judge the effects of the investment bonus only as the June 30 deadline for eligibility draws near, but orders at the mid-April Hannover trade fair will provide initial returns. Deutsche Bundesbank's recent interest-rate reductions may weaken businessmen's resistance to the scheme.

The investment bonus represents a turnabout in German economic policy. Nearly two years ago, on May 9, 1973, the government decreed an 11-per-cent capital investment tax as one of the main tools of the anti-inflationary program that was to prove so successful in restraining German price rises.

30, 1974, stood 20.7 per cent above its average value against all other world currencies at the end of 1972 (on a trade-weighted basis).

Trade sources point out that Germany's swift delivery wasn't just due to the national virtues of good labor relations, discipline, thorough planning and punctuality. It also reflected the fact that German machinery makers, plagued by a slow domestic economy, had excess capacity and thus were contrived by the production bottlenecks that faced competitors with livelier home economies.

This advantage may be ebbing now, the sources say. To be sure, the German industry is operating at only about 80-per-cent capacity and has plenty to spare. But so do manufacturers in other nations, as economies all over the world slow down.

Germany's most important customer nations for machines are France, Italy, the Netherlands, the United States and Great Britain, all of which currently are suffering from economic problems arising in part from the high price of oil. Preliminary statistics indicate that German machine exports to some oil-producing nations rose sharply in 1974 (e.g. 110 per cent to Saudi Arabia in the first nine months).

However, the VDMA points out that oil-producing nations together account for only about 4 or 5 per cent of the industry's exports at present and won't for some time be able to take up the slack of lower sales elsewhere. The industry would be particularly hard-hit if import barriers were erected by Britain or Italy

to ease balance-of-payments problems, the VDMA says. Britain and Italy took a total of 13.4 per cent of German machine exports in the first nine months of 1974.

The danger of such barriers appeared greater in Britain than in Italy, where the government decided in March to end its system of cash deposits on imports. Industry officials emphasize that generalizations about a sector as diverse as machine building can be misleading. The industry's 31 branches produce items as different from each other as scales and iron-and-steel-making machinery.

Within the sector, very strong order inflows have been posted by branches making internal combustion engines, steam turbines and equipment for steel production and finishing, paper-making and mining. Fairly steep drops were posted by precision tools, and machinery for the rubber and plastics, paper-fabrication, wood-working and textile industries.

## Absorption

The sector's most recent significant event at company level were the final absorption in 1974 of two leading machinery companies, Demag AG and Rheinmetall AG (which also have steel-making interests) by Mannesmann AG and Thyssen AG, respectively. Rheinmetall sold off the Mannesmann construction machinery unit. Massey Ferguson Ltd., Rheinmetall's chief executive Toni Schmuckler, who helped engineer the fusion with Thyssen, left the concern to become management board

chairman at Volkswagenwerk AG. Mid-east investors took a strong interest in shares of Gutehoffnungshütte Aktienverein (GHH), Europe's biggest machinery builder. In this connection, Commerzbank agreed to take a small share in GHH to help finance

a planned rights issue by the company. This meant GHH could raise the capital it needed without having to accept greater Mid-east participation. Descendants of the concern's founders holding 28 per cent of GHH's shares had said they weren't financially able to exercise their rights to participate in the issue. In April, Iran signed a letter of intent to buy a 25.02-per-cent share of Deutsche Babcock & Wilcox AG from Babcock & Wilcox Ltd. of Britain.

Long-range, many German machine builders foresee exports of technology bulking larger in their total business. GHH believes that Western machinery makers generally will transfer their "intermediate technology" to industrially developing oil nations, which then will gradually begin producing for themselves some of the goods they currently import.

"The industrialized countries will concentrate domestically on high-technology production and on making main components while they transfer their know-how step by step to their young partners," the company said. GHH said the process won't lead to unemployment in the West but instead will create new jobs here by furnishing developing nations with increased buying power.

## An Interview

## Prospects for the Industry



Manfred Lennings

long-term soundness of capital investment, a sensible cost development and not least the prospect of appropriate profit.

Q—For which machine-building products do you expect the lowest growth this year? How will business be distributed geographically?

A—I expect the largest growth in plant construction, in particular in the areas of raw material production, basic industry and engineering. I also anticipate good demand for diesel motors, drive technology, pumps and compressors as well as in the areas of lifting machinery and conveyor systems.

On the other hand, I reckon with a continuing difficult situation in printing and plastics machinery. Decisive improvements unfortunately may not develop.

As far as geographical distribution goes, the industrialized countries will stand at the top

of the customer list again and within this group the countries of the European community, in which the GHH group achieved around 30 per cent of its export turnover last year. Another point of concentration is South America, where we reckon with increasing sales.

The Comeco countries and the "rich" developing nations have a rising need, but remain relatively small as customers when measured in terms of total turnover. I believe firmly, however, that their share will in general rise.

Q—Do you believe that German machine builders, including GHH, will produce and invest more abroad than in Germany?

A—The tendency to involve oneself more abroad is doubtless rising, but the domestic market and the markets of the industrialized countries remain decisive. The GHH group has stressed in past years that it is necessary to shift simpler production abroad and devote domestic efforts more to highly sophisticated technology. That definitely holds for the machinery sector as a whole. Such a development presupposes considerable expenditure for research and development and therefore growing cooperation with other companies, including cooperation on an international level.

Q—What general comments would you like to make to characterize the current situation of the German machine-building industry?

A—The German machine-building industry is highly developed technologically and doubtless ranks with the top group in the world. One needs only to think of the areas where the most modern technology is offered—atomic energy technol-

ogy, smelters and rolling mills, plant construction, compressors, trucks, printing machinery. Provided that costs don't become too great, that profits allow necessary investments and technological developments and that ability to deliver isn't limited by social conflicts, I see a positive future for the German machine-building industry, even in the face of current economic uncertainties. In saying this, I assume that peace is maintained and that we continue to have access to raw-material and energy sources.

## Disadvantages

The extent of these disadvantages is illustrated by the fact that the Deutsche mark on April

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## Textiles

## Recession, Growing Competition

FRANKFURT (H.T.)—The West German textile industry has been in recent years to become a world's biggest exporter along with Japan. At the same time a clothing industry, led by the ready-to-wear manufacturers, has set export records.

Yet these industries are currently still struggling to escape on a recession in West Germany and to overcome a trade balance of some 2.7 billion marks in 1974.

The textile industry is confident it can only because it has served two other post-war recessions, 1950-52 and 1966-67, were deeper, it shorter in duration. The "growing thing about the current downturn is that it is still lingering on."

So the industry's eyes are on the spring clothing and fashion sales, notably the children's wear in Cologne and the big Discounter fair, for signs of a sustained upturn.

These fears, and others like that at Munich, are the barometer of buyer confidence. It was at the spring sales of 1973 that it was evident that buyers were holding back. The shops had full stocks and little business was done. The third recession was on.

Hans-Werner Staritzke, operating head of the textile industry's association, was a paragon of caution when he looked at the likely prospects for this year. The textile industry has modest expectations and the utmost careful optimism. "This qualified optimism is obviously aimed at the second half of the year, for the textile industry's leader added: Our swallows won't fly this spring."

The industry's dynamism is not only reflected in the export figures. In the past it has known how to invest and its performance has been ranked behind only the West German oil and chemical industries. For example, in 1969 half the weaving machines

were automatic and now the percentage is more than ninety. Nevertheless, investments have slipped somewhat.

They declined from 13 billion marks in 1973 to an estimated 12 billion marks last year. It is partly a psychological problem. However, the industry does want the government to grant more investment incentives.

The total turnover of the industry in 1974 was up a bare 2.5 per cent to 23.6 billion marks but prices rose some 9 per cent. There was another drop in the number of production units and in the labor force.

The former fell some 5 per cent and Mr. Staritzke said this was a reflection of an "unusually difficult year." He called the recession "harrowing" or "tenuous." The recession accentuated what had been a structural trend and in all some 21 units closed during this latest downturn.

The work force has dropped 60,000, down to 375,000 and unemployment in both industries totals more than 35,000. In addition, some 40,000 workers are on short time in the textile industry and 10,000 in clothing. The employment situation is complicated by the location of the industry outside the main industrial areas.

For example, the biggest concentration of textile firms is to be found in Baden-Württemberg and the third biggest grouping in Bavaria. The other problem is that unemployment in the industry hits women.

## Export Jump

One of the complaints of the industry is that the government continued to allow a high volume of imports. "The argument in 1973 was that imports were needed in the interest of price stabilization, but this past year saw goods still arriving from the Far East and East Bloc countries like Poland, Czechoslovakia, Hungary and Romania."

Exports jumped 20 per cent in 1973 and another 11 per cent last year, but imports still led

exports by 14.5 billion marks to 11.7 billion. So West Germany found itself in the position of being the biggest importer and exporter of textiles.

There was a squeeze on profits. Manufacturers' selling prices rose around 14 per cent, but not all costs could be passed on. Wool went up at one point for example, 70 per cent and cotton some 41 per cent.

Profits varied according to products. Also the West German textile industry does not include any giants of a world or even European scale. The biggest firm, the Giegliger Group, with 832 million marks annual turnover, is ranked by seventh in the EEC. Number two and three in Germany are Gerrit van Delden and the Dierig Group. The most efficient, profit-making firms are those of medium size.

Prices of raw materials did tend to stabilize—the annual average cotton price rose 14 per cent while wool fell 29 per cent—but chemical fibers leaped 14 per cent.

There were other pressures on costs. Although the numbers of workers dropped 9 per cent for a corresponding fall of 13 per cent in hours worked, the total sum paid out in wages and salaries was as high as before.

One specific problem was that of the dyers and finishers faced with a 25-per-cent pollution tax under new government environmental proposals.

The hope is that this can be modified—or that new techniques can be introduced to lessen the problem in the government's eyes. But the proposed fee is bound to push up costs all round.

With unions demanding another 9 per cent, and employers hoping to limit 1975 raises to some 7 per cent, the main hope of firms is that the government will grant more investment incentives. The industry has asked Bonn to ease taxes other than the profits tax. It wants, for example, the carry-back tax, as in the United States, Netherlands, Switzerland, Canada and Japan.

مكتبة النخيل



## Building

## Construction: Too Large for Its Own Good, Insolvencies

By William Castle

BONN (HT)—The West German construction industry is in the midst of a draconian period of adjustment.

After the 1968-72 boom years, the industry fell on hard times in 1973 as a result of the government's hard-pressed and successful anti-inflation program and because of the excesses of promoters who had built more housing than the country could use.

The situation worsened dramatically in 1974, when the industry suffered a massive drop in employment and a soaring number of insolvencies. The industry's plight remains grim in the early months of 1975, with the one definitely positive sign limited to lively foreign demand.

Spokesmen for the industry don't see an overall upturn at least until next year, although the government and central bank contend that the worst appears to be over. Most observers and participants agree that the construction business grew too large for its own good during the boom years and had to slim down.

The sector's distress is illustrated by 1974 statistics compiled by the industry association, Hauptverband der Deutschen Bauindustrie. Estimated total turnover dropped below 146 billion marks from 154 billion in the previous year. Nearly 1,400 construction firms were objects of insolvency proceedings, up 30 per cent from 1973. Employment dropped 11.8 per cent to 1,361,200 persons at the end of December.

## Declining Orders

Last year's order inflow to firms with more than 20 employees, basis for this year's employment and production, dropped 8.2 per cent to 44.4 billion marks, including declines of about 20 per cent each for home and commercial-industrial construction against increases of 3 per cent for public sector buildings and 8.2 per cent for highway construction.

In January, the IFO economic research institute in Munich reckons, industry order books covered only two months' work, down from 2.1 months a year earlier and 2.9 months two years previously. The industry association expects a further drop in orders of about 8-9 per cent this year, accompanied by a job contraction of some 126,000.

About 1,000 further insolvencies are foreseen by the industry. Construction's problems are generally divided into two categories—on the one hand "economic" difficulties springing from the government's efforts to control inflation and "structural" defects on the other. Structural difficulties, plainly put, mean the industry's overweight problem.

The anti-inflation fight began in earnest early in 1973 with a tight-money policy, an 11-per-cent tax on capital investment and the suspension of special depreciation allowances for industry and homebuilding, all of which struck hard at construction firms.

As a recent Dresdner Bank analysis points out, the construction industry had to take the blow flat-footed because "except in the case of the largest enterprises, any substantial recourse to foreign markets is scarcely possible."

## Bonus System

The capital investment tax and depreciation allowance suspension were eliminated at the end of 1973, but their damping effects, reinforced by uncertainties stemming from the oil crisis, persist today. Deutsche Bundesbank has lowered its discount rate to 5 per cent in early April from 7 per cent in mid-1973, but the central bank doesn't foresee any massive easing of monetary policy for this year as a whole.

The government introduced on Dec. 12 a pump-priming program that included 800 million marks for construction projects and a 7.5 per cent bonus for businessmen making capital investments. But industry sources point out that the funds are scant when measured against total industry output of about 145 billion marks a year. And the investment bonus is more likely to be utilized for buying new machinery than putting up new buildings, they contend.

Construction's structural problems stem from the boom years. Karl Ravens, government minister with responsibility for construction, points out that in the past two years the industry has completed about 700,000 dwelling units a year, well above the 500,000 that official studies have shown is the long-term demand level.

At present, a so-called "dwelling heap" of 300,000 unsold and unwanted apartment units overhangs the market.

The government is generally unsympathetic to those promoters who lost money on the apartment-building boom that went bust. Says Mr. Ravens: "We are in a market economy. To this market

belong profit and loss, chance and risk. Those who invested... have all done so with the chance of profit. They must also today accept the risk of loss."

## Apartment Blocks

Herbert Frey, chief of the Betriebswirtschaftlichen Instituts der Westdeutschen Bauindustrie, another industry association, asserts that most of the empty dwellings lie in massive settlements of towering apartment blocks that "pose problems of socialization, problems of the relationship of the individual to his social environment." He concludes: "The fact is that our people don't want to move into the high apartment blocks... in the measure that was expected."

Another industry official adds that such settlements often are

situated inconveniently on the outskirts of large cities such as Frankfurt, where transport to the city center is made difficult by crowded highways. Germans don't tolerate commuting as well as Americans, he observes.

Heinz Flieger, spokesman for the Hauptverband der Deutschen Bauindustrie, said his group has been urging its members since 1970 to wind down their capacity in anticipation of lower demand. The advice is now being taken. The labor force dropped nearly 12 per cent in 1974 and a further 10-per-cent decline is expected this year, bringing the work force to about 1,335,000 persons by 1976. Mr. Flieger foresees stabilization only around the 1-million level.

Companies are also reducing their equipment inventories. The federation estimates that equip-

ment inventories dropped 5 per cent from mid-1973 to mid-1974. IFO reports that orders for new machinery dropped 28 per cent last year.

The outlook for the future, as noted, isn't clear-cut. The industry itself is generally gloom, but the government and Deutsche Bundesbank are guardedly optimistic.

## Some Hope

The Hauptverband der Deutschen Bauindustrie projects a 10-per-cent drop in orders for dwellings this year, a 5-10-per-cent drop in commercial-industrial orders and a 5-10-per-cent rise in public-sector construction.

Mr. Flieger concedes the outlook is fairly good for public-sector building, but notes that this sector accounts for only 35 per cent of

the industry's output. In housing, which has 40 per cent, no resurgence is expected until 1978.

Even the fact that construction workers accepted a relatively low 6.6-per-cent wage increase this year can't do much for company profitability, he contends. In the highly competitive struggle for survival, many companies are accepting orders at prices that don't even cover costs, he said. He believes that if an overall upturn is achieved, in 1976 or 1977, it won't be spectacular. "The past growth rates of 5, 10, 20 per cent won't recur," he said. "The future is more modest, but it doesn't have to be bad. One can live very well with growth rates of 3-3 per cent if prices remain fairly stable."

Construction Minister Ravens is more positive. He said recently that "a consolidation phase has begun in construction, according

to all facts and figures at the disposal of the Bundesbank. The number of mortgages and statistics on construction demand make clear that the December (pump-priming) program has begun to take hold. That doesn't mean that we can give a job guarantee to every worker in the construction industry but... that we can go forward with a solid foundation and that we have got firmer ground under our feet."

Deutsche Bundesbank contended in its February report that first signs were evident that the "low point of demand appears to have been overcome already."

Whatever the correct interpretation, it is clear that the industry is planning to increase so as to take advantage of lively foreign demand to offset domestic weakness, though business abroad re-

mains a small fraction of the total. Foreign orders in 1973 amounted to 4.5 billion marks, a 10-per-cent increase over 1972.

Philipp Holzmar, for firm, capital foreign market. The firm's turnover billion marks last year, solely on its own. Despite a drop in 1974, foreign income rose to 280 million marks. P. Holzmar business included Saudi Arabia and

The association the past foreign business confined to large, smaller construction firms trying to move in areas.

## Electronics

## Are We at the Lowest Point in the Economic Situation

By Alan Tillier

FRANKFURT (HT)—Big export orders in the Soviet Union, throughout the Middle East and in many other parts of the world have not spared the West German electrical industry the recessionary pains felt by other branches of the nation's industrial machine.

Siemens, the industry's leader, had yet another good year in 1974 with a turnover of 17.2 billion marks and an order book up 16 per cent to 20.7 billion marks. The global turnover of AEG-Telefunken rose 12 per cent to 12.2 billion marks.

The Munich-based company, ranked sixth in the world and second in Europe after Philips, rode out the year well, but other West German firms, including AEG-Telefunken, suffered from the rundown home market.

There are few signs so far this year of a domestic recovery and the industry as a whole is waiting for better times in the second half of 1975. Friedrich-Karl Lehmann, president of the industry's association, says: "It is not clear yet whether we have arrived at the lowest point of the present economic situation."

Rodo Boettcher, one of the association's economists, says the situation over the past year has gone from "satisfactory to bad to

worse. We are hoping for a recovery later this year."

Although new export orders have slowed down, the momentum of overseas sales is still there and this basic strength should carry the industry through. It remains the biggest exporting electrical industry in the world.

Mr. Lehmann, reviewing the past year, said there had been a real recessionary trend in the domestic field, while the export situation had begun favorably only to visibly weaken. Export orders in the first half of 1974 had not only compensated for the home market but had led to an actual 5.4-per-cent gain. The falling off became evident in the third quarter and by the end of the year the recession was so obvious that production slowed down seriously.

The production index in December last year fell 14 per cent compared with that month a year previously, the steepest rate of decline since the war. The satisfactory first half led to an increase in annual average production value of 9 per cent but of real production of 1.6 per cent.

Although turnover rose 9.4 per cent, this represented an actual increase of 2 per cent while in real terms the purely domestic turnover dropped by 1.4 per cent. There was gray news too on the employment front. In Novem-

ber, 1973, the work force reached a temporary high level of 1.14 billion, but the decline has been constant since then. By the end of the year it had slipped 4.5 per cent below the December, 1973, figure to arrive at 1,081,000. And this figure did not include the rapidly increasing number of workers on short time and by this February some 15 per cent of the total work force, or 168,000 people, were on a reduced week.

The catalogue of gloomy news includes an 11.4-per-cent rise in wages, a four-per-cent drop in hours worked, a 14-per-cent rise in the cost of materials and a relatively modest 7.3-per-cent hike in manufacturers' prices.

The big two have had trouble financing the nuclear power station program of Kraftwerk Union, which they jointly own, and AEG-Telefunken has repeatedly been on the verge of pulling out, leaving Siemens to go it alone.

But both giants have bulging foreign order books and Siemens president Bernhard Fletter is optimistic. Presenting his annual report with its 8-mark dividend, 21-per-cent rise in investment and a 18-per-cent higher research budget, he remarked: "Despite the high rate of inflation, rising unemployment and unknown consequences of the increase in the price of oil, the firm's high technical level, the range of its products and the global diversification

of its business in 12 countries should allow it to conserve its place during particularly difficult times."

The industry's export steamroller covers nuclear power plants in Iran, electrical equipment for a cold rolling mill in China, turbines in the Soviet Union, major equipment for Brazil. Exports leaped 22.5 per cent during the year to a record 24.6 billion marks and the leap was probably nearer 50 per cent if the electrical content of other goods is taken into account. Imports into Germany were up, but exports flattened them two to one.

The industry has become so export intensive that it can shrug off hiccups in the international market.

Mr. Lehmann ticked off the preoccupying factors at home. There had been a very real stagnation in household goods and higher turnover was merely a reflection of higher prices. A complicated approval process had dampened investment in power station construction, consumption of electricity had dropped while the telecommunications side of the business had suffered from lower public orders and slack private telephone usage. There was a problem with the pricing policy of the Bundespost, but in all he did not think the telecommunications slump would continue because it ran

counter to world trends. The cable side had been hit. There were the repercussions of the building crisis.

Another sector to be affected was that of transformers, while radio and TV sales, which had enjoyed something of a boom at a time of major sports events in early 1974, fell off sharply later in the year.

As in other industries, the spring fairs are pointers to the likely business climate. In this respect, interest shown in the Demotechnica Fair was considered a bright ray. The major question remained, however, how consumers would react this year given the depressing effect of unemployment.

The industry has been looking closely at the figures for the beginning of this year and they certainly do not give grounds for much optimism with orders and turnover down. January was bad, February was the same.

This shaky start means that the second half upswing will have to be sharper if the year as a whole is to be positive and there is talk of this production recovery having to be 8 per cent. Or as one industry source put it: "There will have to be a mass of orders after the Hannover Fair."

To an outsider the 6.8 per cent wage increase accepted

recently by the and by extension electrical industry compared with other European employers are not claiming that with the increase on a is between 9 and 1

"We don't know this agreement will jobs," said Mr. Le.

But industry's level of taxation, firms, like others, cent on nondistri property tax bring slice of income to t 80 per cent. This

sure on research ment, but this is the rate of 6 bil year and even a like AEG-Telefun million marks last. D. The industry re strength lies in its products, be they g ern Europe or ma faraway countries. It has to keep eye on the electric other EEC countri happy about the n non-tariff barriers. There is plenty c 1975, but no one about the long ter the industry's \$30-i turnover is expecte

over 10,000 Million

Deutschmarks was the entry for the GHH group in the turnover statistics for the business year 1973/74. The value of orders received amounted to over 11 thousand million DM — figures never reached before. The same goes for the value of exports. These totalled over 4 thousand million DM. The GHH group's policy of systematic research and new developments keeps it abreast of modern technology and know-how. Partnership and co-operation agreements throughout the world bear witness to this. A worldwide service network to rely on. Its balance of licences is positive. Behind the achievements of the GHH Group are more than 90,000 employees. Over 26,000 — DM were spent on each of them during 1973/74. The GHH Group acts as consultant and planner, designer and supplier for such essential growth industries as the energy sector, communications, transport, the chemical industry, the steel industry and the mining sector. Accuracy is the keystone of the GHH Group — be it in planning and design, for calculations or in financial matters in general. Every order is handled with the greatest of care. We await your order too with pencils poised. Further details in our illustrated brochure which is available on request.

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## Banking

ed from Page 15 b) rary liquidity help to ly healthy credit in- acting cash squeezes otherwise lead to col- ne foreign exchange itations, banks must eir open positions hat aren't hedged or equal and opposite s) to 30 per cent of tal—the sum of their serves.

### Restriction

ction in theory would d Herstatt Bank, for an open position, marks. Though the Herstatt's open pos- down, the bank's chief change dealer, Dany a claimed it totaled at the end of 1973. sche Landesbank's id in a recent inter- measure, if adhered mean a "powerful re- risk" in foreign ex- do, a fast-paced and nking area where risks have been magnified outing exchange rate ullaian's own bank sur- 0-million-mark foreign lealing loss in 1973 and as able to cover it out s profit in other

reforms, comprising a dity the banking law sals for statutory pro- ditors, are having fcult birth. the banking bill is rel- controversial. It would Federal Banking Su- Bureau in Berlin to special audits without s, as it does at present. horities also would be

empowered to withdraw the banking license of any institution that suffers losses equalling half its liable capital or that proves itself over a long period to be unprofitable. Rules governing the presentation of annual accounts would be tightened and additional disclosures to authorities would be required.

### One-Man Banks

The bill would prevent establishment of any more small, "one-man banks," of the type that suffered the most from the temporary loss of depositor confidence that followed the Herstatt collapse. These banks now number a mere 12.

But all branches of the German banking sector have objected in part to the bill's planned limitations on major credits to customers. The government first-ly would like to restrict the size of any single major credit (one of 1 million marks or more) to 75 per cent of liable capital, a stipulation the banks find tolerable. But they object to additional proposals to restrain the five largest credits together to three times liable capital and the sum of all such credits to six times liable capital.

The banks, with the support of the Bundesrat (upper house), hope to eliminate the proposed additional credit restrictions. They argue that smaller banks and therefore banking competition, would suffer if forced to rein in their business in accordance with the bill's provisions. Customers, too, would be hurt and inconvenienced as credits were withdrawn and as they found themselves forced to deal with several banks to get amounts formerly available at one institution, it is argued.

Also subject to dispute are the government's proposals for stat-

tutory deposit security. No legal protection for depositors, such as exists in the United States, was in place for German private-sector banks at the time Herstatt collapsed. The private banks nevertheless quickly activated their voluntary system and paid off in full all non-bank depositors with accounts at Herstatt of up to 20,000 marks.

Other depositors were left in uncertainty until Dec. 17. It was then that a Pöhl-led joint effort of the banking community to avert a bankruptcy proceeding paid off with a negotiated settlement giving depositors compensation of 65 per cent to private individuals and corporations, 55 per cent to foreign banks and German community governments and 45 per cent to German banks.

### Apel Appeal

To bolster deposit protection, Finance Minister Hans Apel last September invited suggestions from the banking community for a statutory system to safeguard money entrusted to German credit institutions. However, each of Germany's three broad types of bank-private-sector, cooperative and savings—responded with opposition to legal measures.

The 300-odd private banks proposed to increase voluntarily the protection offered each non-bank depositor to 30 per cent of the liable capital of the bank holding the funds. The 5,600 cooperative banks and their 13 central institutions claimed that their 300-million-mark joint liquidity fund and a comprehensive internal system of checks made additional measures unnecessary. No cooperative bank has gone under in post-World War II history, according to the Bundesverband der Deutschen Volksbanken und Raiffeisenbanken, the association that represents them.

The 741 savings banks and their 13 central giro institutions are guaranteed ultimately by the communities and states in which they operate. Hessische Landesbank Girozentrale, for example, has suffered enormous losses on investments and credits in the last two years but is fully backed by the state of Hesse and the Hesse savings banks, which recently furnished it with 600 million marks to help cover its deficits.

Nevertheless, the savings banks plan to build up their joint fund from 70 million marks at present to 500 million marks in 1977 to place a buffer between themselves and the communities that guarantee them. Plans are under way for a similar fund to serve their giro banks.

What will emerge from the government-bank dialogue on deposit security isn't clear.

### Questions

Aside from buying itself with post-Herstatt tidying-up, Germany also is asking fundamental questions about the functions of its universal banks, the major private and giro institutions that combine a wide range of potentially conflicting services under one roof. Finance Minister Apel established in November a 10-man commission, with members drawn from the banks, Deutsche Bundesbank, the unions, universities and the ranks of former government officials, to examine the question in detail.

Areas for study include:

- The possibility of separating bank deposit and lending functions from the securities business instead of combining them as is the case with universal banks.
- The question of whether bank share participation in industry should be reduced or forbidden altogether.
- Effects of combining within

one bank lending, underwriting, company proxy management and participation by bank officials in industrial supervisory boards.

• Bank dominance of the stock market (among other functions, banks act as stockbrokers).

The commission is expected to report this year. Sources in the private banks tend to minimize the likely results of the inquiry. The Bundesverband Deutscher Banken, representing the private-sector banks, contends:

“The Anglo-Saxon split system

(separating deposit banking from investment institutions), as it exists in Great Britain and the United States, currently is undergoing a test that it hasn't yet passed. The private bank... are of the opinion that the universal bank not only is in a position to offer its customers a broader spectrum of favorably priced services but also guarantees a fundamentally higher measure of security for stockholders and creditors than an independent specialized bank, whose welfare depends on only one sector.”

An economist at a major Frankfurt bank points out that banks own only 5 per cent of outstanding German shares. He concedes that banks often have a controlling vote at company meetings because they have the right (the banks say an “obligation”) to vote the large number of individually owned shares that are deposited with them according to their own judgment, unless otherwise directed by the share owner. He contends, however, that this system is preferable to the U.S. system, under which company

managements exercise proxy votes. The U.S. system, he argues, fails to provide a counter-vailing power to management. He further maintains that public share ownership has been moderated since Deutsche Bank in January put up 1.8 billion marks to acquire a 29-per-cent share of Daimler-Benz AG to prevent the stock from being acquired by the Shah of Iran. Deutsche Bank's move has tended to emphasize the positive role of bank share participations, he argues.

## Organisation of the Sparkassen, Landesbanken/Girozentralen

### In the Federal Republic of Germany

#### Public Savings Banks

The German savings banks (Sparkassen) are legally and economically independent credit institutions. They are communal savings banks operated under public law. The savings banks' liabilities are guaranteed without limitation by the respective communities (town, county), whereby all deposits held by a savings bank are fully secured. The business of a savings bank is directed by its managing board.

The supervisory body of a savings bank is the board of administration, on which the general public and the local government (a town, a county or several communities) are represented. Their tasks and activities are laid down in the articles, which allow the savings banks to do customary banking business for their customers. Transactions for their own account are subject to some limitations to secure the deposits, e.g. savings banks are not allowed to acquire securities out of their own funds.

In addition to the communal savings banks there are also a small number of free savings banks. These are savings banks without a local government as guarantor. Contrary to the communal savings banks the free savings banks are subject to private law (in most cases as associations or trusts).

The savings banks offer all the services of a modern banking institution. Their services are available to every private individual, every business enterprise and every local authority. The following are the most important forms of business transacted: The acceptance of all types of deposits, credit business of all kinds, encouragement of the acquisition of personal property, settlement of cashless payment transactions and all other types of banking services, e.g. transfers to payees in Germany and abroad, collection of debts, bills and receipts, execution of cheque transactions and issue of cheque cards, purchase and sale of foreign currency and travellers' payment media, caring for the needs of customers in the field of foreign trade transactions.

At the end of 1973 there existed in Western Germany 750 Savings Banks main administrative offices with more than 15,800 branches.

#### Regional Savings Banks Associations

The savings banks of each Land are united in regional Savings Banks Associations. The tasks of the regional Savings Banks Associations are among other things to represent the common interests of the savings banks; to offer information and advice to the members of the Associations in all matters of savings banking; to train staff members of the savings banks and to further their professional education; to examine the handling of business and the balance sheets of the member savings banks. At the head of the regional Savings Banks Associations is the Deutsche Sparkassen- und Giroverband in Bonn (German Savings Banks Association). It is the centralized representative of savings banks interests and corresponds to the savings banks associations on the regional level. It is the spokesman of the savings bank system in the public sphere and also to the Federal Government and parliament. Through its board and committees it influences the coordination of the savings banks and Landesbanken/Girozentralen, which are also its members.

#### Landesbanken and Girozentralen

The 12 Landesbanken and Girozentralen in the Federal Republic of Germany are operated under public law, like the savings banks. Their liabilities, i.e. also the deposits maintained with them, are guaranteed by the regional Savings Banks Association. Individual Lands of the Federal Republic or big communal associations. The business is directed by a managing board and the general management is supervised by the board of administration.

The Landesbanken and Girozentralen are the central banks of the savings banks. They act as clearing houses for the savings banks' national cashless payments. They hold the liquid reserves of the savings banks within their area of activity and effect the regional balancing of funds among the savings banks. Moreover, the Landesbanken and Girozentralen transact all customary banking business, e.g. granting short, medium and long-term loans to industry, commerce, trade and public authorities; in many cases they provide loans jointly with the local savings banks.

The Landesbanken and Girozentralen are entitled to make

issues. They issue mortgage and municipal bonds. In addition to security and stock exchange dealings the services provided by the Landesbanken and Girozentralen include foreign business in all its fields. To an increasing extent the Landesbanken and Girozentralen participate in international money and capital transactions, and, in particular, in the business of international financing.

The Landesbanken and Girozentralen assist the savings banks in their foreign business, for which purpose the maintaining of relations with foreign banks is of particular importance. On the other hand, the extensive network of branches of the German savings banks organisation is utilized by foreign banks through the Landesbanken and Girozentralen.

The standard DM travellers' cheques of the German savings banks organisation issued by the Landesbanken and Girozentralen and the savings banks show the drawer Deutsche Girozentrale - Deutsche Kommunalbank, Berlin and Frankfurt am Main.

#### Deposits and basic capital resources

The German credit business is sound. The Herstatt affair was an exception meaning that a big bank working in the international banking field along with a large number of private savers couldn't meet their financial obligations. In the Federal Republic we have a well-balanced structure of credit institutions operating under public law with special and main functions. The biggest group among the credit institutions operating under public law is that of the savings banks and of the Landesbanken/Girozentralen. Every amount of the deposits in these institutions is fully backed by a public guarantee. The guarantor for the savings banks is the local administrations. The deposits of the Landesbanken/Girozentralen are guaranteed by their owners, which are usually the executives of the respective Federal Governments and the respective savings banks. No investor, no customer of a savings bank or Landesbank/Girozentrale has to fear to lose one single D-Mark one pound or one dollar. Losses arising from shares in the building industry are covered by the owners of the Landesbanken/Girozentralen. Due to the independency of each Landesbank/Girozentrale, losses by one of these banks don't lead automatically to a debiting of the other Landesbanken and Girozentralen.

Besides, we have established in cooperation with the Deutsche Bundesbank and all groups of the German banking an institution (Liquiditäts-Konsortialbank) in our country which can take care of temporary liquidity shortage. Moreover, the severe supervisory regulations will be tightened by an amendment of the laws for public control of the German credit system (Kreditwesengesetz).

The source on which the savings banks set up their own capital is the net profit, taxes deducted. The Landesbanken and Girozentralen form their basic capital resources through the allocation of the profit to reserves and through the allocation of the guarantors i.e. of the respective Federal Government and of the regional Savings Banks Association in those Federal Governments.

Whilst the private banks are able to set up their own capital in different ways (issuing of new shares, participations) the savings banks are prohibited by law to do so. The basic capital resources of the Landesbanken/Girozentralen and of the savings banks is modest in comparison with that of the private banks.

But this is not detrimental to their business transactions because the guarantee of the cities, communities and states has a net worth function for the liabilities of the Landesbanken, Girozentralen and savings banks.

## DEUTSCHER SPARKASSEN- UND GIROVERBAND E.V.

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## Steel

sed from Page 15 b) are reacting with at and calm. government-owned Peine- AG, third biggest in the country, has approximately 450 million marks to capacity and thus capti- the "good steel years" read. Largest single proj- construction of a 218- mark furnace with a year-ly of 1.6 million tons in.

Many is proceeding on ation that the current in the domestic and markets is merely a "hull" and that a "new world steel con- dition" is to be reckoned with," he said.

echoes, "Over the mid- we reckon with a of steel growth." plans to invest 1.2 this year up from marks in fiscal 1974. At the industry's ex- ternal upturn, depends on the course of domes- tical economies, say. The industry helped by an inland which the government will come in the second, this would have to be led by an international the industry were to powerful boost. German

steel makers have become increasingly dependent in recent years on foreign sales, with business abroad rising in 1974 to 40.6 per cent of total rolled steel finished product tonnage sold from 28.7 per cent in 1970.

### Bigger Share

Thyssen's Mr. Kriwet expects foreign companies to take a bigger share of the domestic market this year than the 24 per cent of 1974. But he expects the German industry to defend its home market better than it did in 1971, when imports rose to 38 per cent. He reasons that the industry currently is more competitive than it was four years ago.

The industry has experienced a number of developments that help explain the increased competitiveness to which Mr. Kriwet refers. Thyssen itself completed in 1974 its takeover of Rhein Stahl AG, becoming in the process the largest industrial company in Germany with annual sales of nearly 23 billion marks and adding to its quiver such new arrows as energy output and submarine production.

Toni Schmucke, who as Rhein Stahl chief executive played a key part in effecting the merger, left shortly after its completion to succeed Rudolf Leding as chief executive of the sailing Volkswagen AG. His selecting for the VW job stem-

med from the reputation as a company troubleshooter that he gained in rationalizing and marrying off the once-troubled Rheinstahl.

In a somewhat similar move, Mannesmann AG, a major steel and pipe manufacturer, consummated its takeover of Demag AG, a big machinery maker, by raising its share to 98 per cent after taking an initial 51 per cent in 1974 and an additional 20 per cent a year earlier. Fried. Krupp Huettenwerke announced plans to take over Stahlwerke Seed-westfalen, a specialty steels maker.

The German industry's clout also was increased when Willy Ker's steel group acquired from Midland-Ross Corp., of the United States, rights to the Midrex process for direct reduction of iron ore. This process forms the basis for existing or projected plants in 11 countries. The plants include a projected 4-million-ton-a-year steel facility at Kurak, Soviet Union, in which a German consortium consisting of Ker-Stahl AG, Fried. Krupp GmbH, Siemens AG, Salzgitter AG and Demag is participating.

### Midwest Buyers

The industry attracted the interest of Midwest buyers. After extensive negotiations, Iran last year took a 25.04-per-cent interest

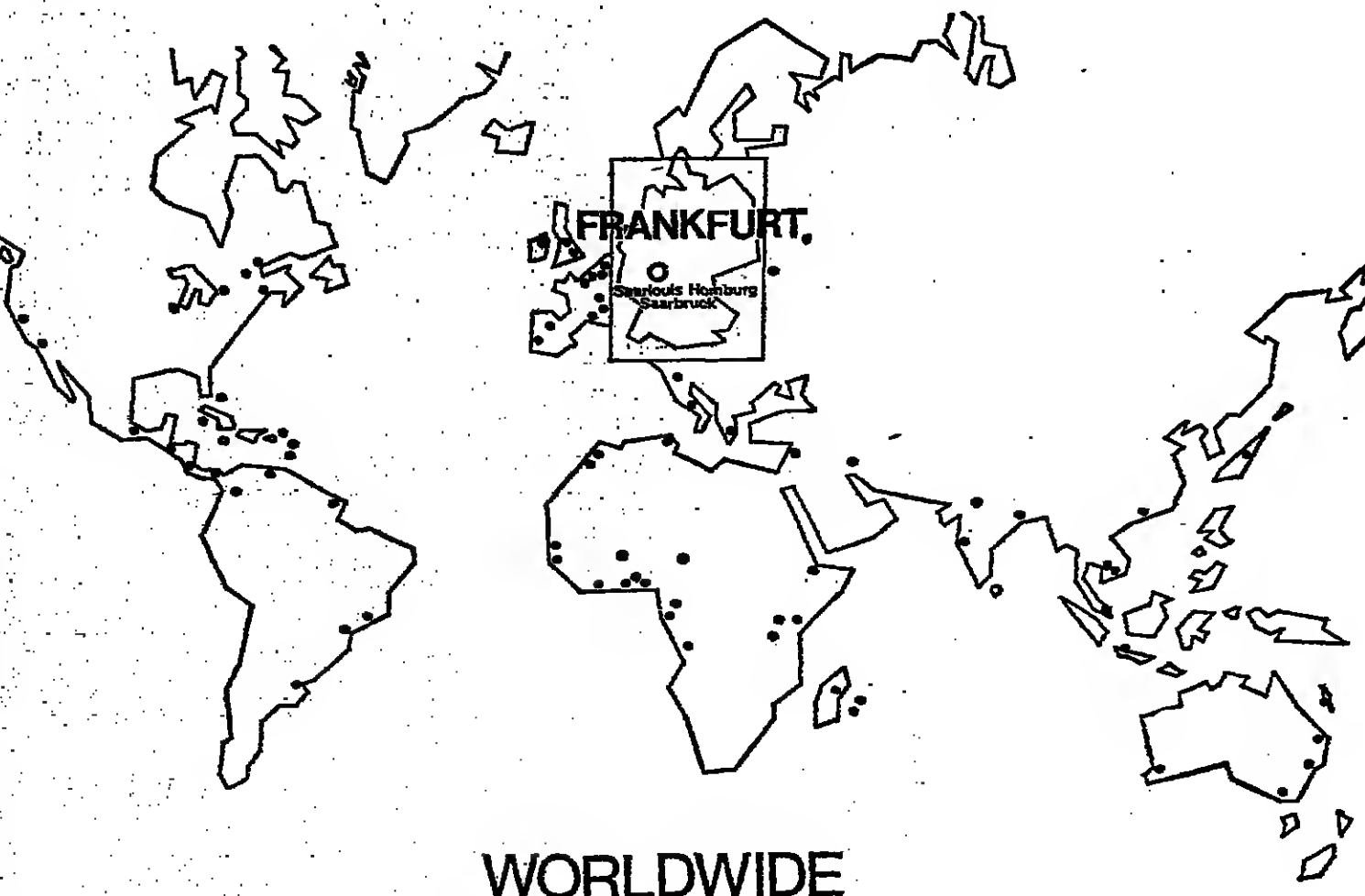
In Fried. Krupp Huettenwerke AG. Following the deal, Reza Amin, chairman of the National Iranian Steel Industries Corp., became a member of Krupp Huettenwerke's supervisory board.

However, when heavy Midwest buying on the market sent prices of Mannesmann shares soaring earlier this year, the company proposed to protect its independence by limiting voting rights of any shareholder to 5 per cent of the total.

Steelmen expect considerable further structural change in the future. Because of transportation cost factors, coastal sites are proving more popular for new plants than the traditional Ruhr and Saar areas. There is some doubt in the industry whether crude steel should continue to be manufactured in the Saar, much further inland than the Ruhr.

It is also expected that production will be further "internationalized"—that is, shifted out of the country where this is advantageous. Mannesmann announced last fall it will spend \$150 million in the next four years to increase its steel and tube output in Brazil. And Thyssen is considering whether to raise its 5 per cent in the Solmer Steel complex at Fos-sur-Mer, France, on the Mediter- ranean, though at present it doesn't appear in any hurry to decide.

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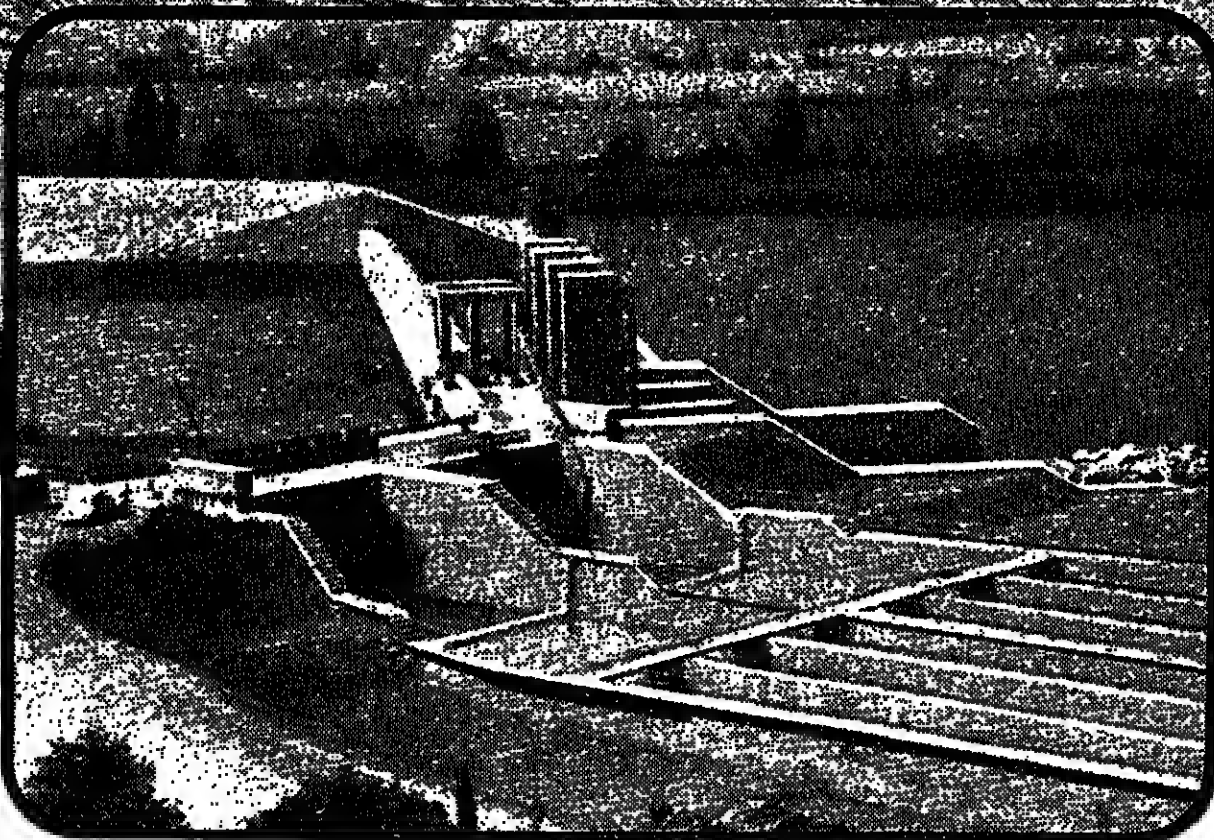
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